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# PROFIT SHARING BY AMERICAN EMPLOYERS

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Percentage of Profits  
Special Distributions  
Stock for Wage-Earners  
Exceptional-Abandoned-  
Proposed Plans

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## EXAMPLES *from* ENGLAND TYPES *in* FRANCE

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Welfare Department  
The National Civic Federation  
Headquarters: Thirty-third Floor  
Metropolitan Tower  
New York City



Educational Movement to Secure Improvements in Working and Living Conditions of  
Wage Earners by Employers.

Welfare Department

The National Civic Federation

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GERTRUDE BEIKS  
*Director Welfare Department*  
THE NATIONAL CIVIC FEDERATION  
NEW YORK

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## INTRODUCTION.

In the last seventy-five years there have been in this country and in Europe various attempts on the part of employers of labor to establish schemes whereby employees would receive some share in the earnings of the business in addition to their fixed regular wages.

These wage additions have been indiscriminately termed "profit sharing" and they have been regarded by many employers and a few eminent students of industrial tendencies as forecasting a final "solution of the labor problem".

Because of the desire of many employers for exact information on the workings of these plans, and public interest in the claims made for profit sharing as a general remedy for labor difficulties, The National Civic Federation has made an extensive investigation and analysis of more than 200 plans in the United States, embodying the idea in one form or another of extra payments to labor. Many of these experiments have been abandoned as acknowledged failures; others are still in existence and differ widely both in method and in results claimed for their operation. The inquiry by The National Civic Federation was undertaken with a view to presenting an accurate and unbiased statement of the facts, and the results are published for whatever light they may throw upon the question whether profit sharing is a success or a failure.

The analysis of specific plans is based almost wholly upon data furnished by the companies themselves, and necessarily so, for the reason that practically no other sources of information are available. It is not possible to learn with any certainty the views of the employees affected, since nearly all of these undertakings are carried on by employers of non-union labor, and un-

organized workers have no authorized spokesmen. Nothing more satisfactory could be obtained, therefore, from the labor standpoint, than scattered individual opinions.

The views of a large number of representative leaders of organized labor were asked and obtained, and these are unanimous in opposition to the general theory and practice of profit sharing, as will be noted from the statements quoted in the body of the report. It should be remembered, however, that these representatives are entitled to speak with authority for only a part of the wage-earning population of the country, and that we have no means of knowing whether their hostile attitude is shared in any measure or at all by the mass of unorganized workers. Only a very small proportion of these unorganized workers know anything about profit sharing from actual experience, and it cannot be assumed arbitrarily, therefore, that they would object to its introduction or that they would have any interest in the reasons urged against it by organized workers.

Neither should the considerable percentage of dubious results shown by this inquiry lead to the sweeping conclusion that all profit sharing experiments are worthless. Many of them, from the standpoint of special local conditions or by contrast with some previous order of things, no doubt show a net improvement in the welfare of the employees affected and the morale of the plants. The real significance, both of the organized labor attitude and of the proportion of failures and doubtful results, lies in their bearing upon the possible value of profit sharing as an industrial remedy of general application.

This in turn involves consideration of the fear of organized labor that the employers' real interest in profit sharing lies in its alleged usefulness as a means to weaken and disrupt the trade unions, and that with this once accomplished the employing interests would be free to regulate wages and hours to suit themselves, with no effective

equality of bargaining power left in the hands of the workers.

Such, at any rate, is the labor attitude as expressed by trade union representatives. It is not within the scope of the present inquiry to examine the merits of organized labor's objections to profit sharing, or to determine whether the interests of labor generally would be safer under profit sharing than with the economic power of organization in its own hands. This is a very large problem in itself, second to few if any others in its bearing upon the future of our industrial and social institutions. Its gravity should be borne in mind in any consideration of proposed substitutes for the means which so important an element of the wage-earning class has considered necessary to secure its rights and advance its welfare, ever since the beginnings of the modern industrial system.

There have been examined and considered, in the course of this inquiry, more than 350 plans, including a dozen or fifteen incorrectly represented as profit sharing enterprises which prove to have no feature of that character. Nearly 150 of the descriptions could not be utilized for a variety of reasons. A considerable number are strictly bonuses on exceptional product or sales of the individual employee, under the "efficiency system," and not profit sharing by the standard definition. Many others are merely occasional gifts of cash, clothing, Christmas turkeys and the like, or wage bonuses recently declared, with no information as to whether they will be continued as permanent profit sharing distributions. Some of the companies on record as profit sharing concerns have gone out of business, or have been sold to other interests and the profit sharing discontinued. In very many cases the plans reported are too trivial and unimportant to justify treatment, in others plans have been proposed but never put in force, and still other companies reported as engaging in profit sharing prove upon investigation merely to be considering the idea without having formulated a plan. A few companies decline

to furnish details, certain others prefer that their names be not mentioned, and a surprisingly large number submit data too meagre for an adequate description. Some of these have been included in the present report, nevertheless, because of their relative importance, and in the full knowledge that the analyses may fail to do justice to the plans described by reason of inability to obtain the specific information requested in a series of persistent communications.

It was impossible to incorporate in a single volume full details of descriptions of the plans of American employers, but arrangements may be made with the Welfare Department of The National Civic Federation for the loan of those in its possession, as well as certain forms of certificates, agreements, etc., employed in connection with their operation.

For exhaustive reports upon profit sharing and labor copartnership in the "United Kingdom" and upon the same subject "Abroad" those published by the British Board of Trade in 1912 and 1914, respectively, are the most valuable documents to be consulted. Both contain extensive bibliographies. The great authorities on copartnership are Henry Vivian and F. Maddison.

It is not to be assumed from the fact that some 200 experiments are analyzed in this report, that we have in this country or at any time have had anything like that number of true profit sharing enterprises in operation. Comparatively few of the undertakings commonly spoken of as types of profit sharing fall within the definition adopted by the International Congress on Profit Sharing in Paris in 1889 and amplified in 1896, which is practically identical with that given in the *Encyclopedia Britannica*. These definitions are quoted at the outset of the report herewith presented, and it will be seen by comparison with their terms that a very large number of our so-called profit sharing plans are in reality merely indefinite and irregular gratuities volunteered by employers at their own discretion, sometimes merely as a per-

sonal expression of good-will, sometimes in the hope of creating a friendly interest among the employees and thereby attracting and holding a desirable class of labor, and sometimes to hold in check a disposition to demand higher wages.

Because of the great variety of these experiments, and many overlapping features, exact classification is difficult. For general purposes, however, they may be grouped under one or the other of three main heads, as follows:

1. Percentage of profit plan, under which the employer agrees to pay to his employees a certain percentage, fixed in advance, of the profits of the business.

2. Special distributions or gratuities, under which the employer voluntarily makes contributions to the employees' income in a great variety of forms, ranging from discounts on supplies purchased to cash bonuses paid usually at the end of the year.

3. Stock ownership plan, under which the employee purchases stock in the employing corporation, pays for the same in installments, and in addition to the regular dividends receives a bonus of so many dollars per share in consideration of his not disposing of the stock or not leaving the company's employ for certain fixed periods of time.

A typical example of the percentage of profit plan is that of the Eastman Kodak Company, Rochester, New York.

The Crane Company, of Chicago, presents a good illustration of special distribution schemes.

A notable test of the stock subscription idea is, of course, that being made by the United States Steel Corporation.

Attention is given also to a number of exceptional plans which cannot well be placed in any of the three general groups. Of this nature are the unique profit-and-loss sharing scheme of the A. W. Burritt and Company, the limited stock control experiment of the Dennison Man-

ufacturing Company, and the famous five-dollar-a-day minimum wage plan of the Ford Motor Company.

The report reaches the interesting conclusion that the Ford plan, although described by the company and popularly understood as profit sharing, does not fall within the standard definition and is in reality a unique high wage system made possible by extraordinary conditions. The extra payments to labor are not a fixed percentage of profits, are not made dependent upon and do not vary with the size of the profits, but are paid simply as a part of the regular daily wages and amount to an outright wage increase, conditional only upon certain tests of character and fitness, having no necessary relation to the theory of profit sharing as such.

A later development, in the sharing of excessive profits through increasing wages, is the 20% addition to the pay roll made by many war munition manufacturers. This distribution is announced as a temporary arrangement to be determined by the war period and demand for ammunition.

A very large number of concerns have established pension and relief funds for their employees, to which funds the concerns contribute annually from their profits. While many employers regard their contributions to these funds as profit sharing, they are not described herein.

A large number of the companies whose plans are analyzed report that they consider profit sharing a success. Others presumably hold the same view from the fact that they continue the experiment from year to year. Many reasons are given by these employers for their faith in the idea. Among these are that it promotes more continuous service, reduces cost of production, secures more regular attendance at work, builds up confidence and creates a spirit of co-operation, gets rid of rolling stones and encourages home building, enables the company to keep its employees during rush seasons, keeps down expenses, induces salesmen as well as the others interested

to work harder, promotes efficiency, interest and loyalty; and increases the profits of the business.

Many illustrations of these results claimed by employers will be found in the analyses of the various plans. Again, it must be borne in mind that the statements of the employees' attitude do not come from the workers themselves but from their employers. This does not necessarily mean that the workers are less enthusiastic on the subject than the employers' reports would indicate, but neither can the evidence on that point be termed conclusive.

While most of the specific objections to profit sharing, as already stated, come from organized labor, employers who have had experience on the subject are by no means a unit as to its practical value. Some employers express disappointment that the efforts of their companies were not appreciated by the men, that they seemed to prefer their total earnings in fixed wages with no variable element, that they were suspicious of the employers' motives, that they insisted upon joining unions and presenting demands in spite of the companies' efforts to give them a share in the extra gains of the business, that when stock was sold to employees upon favorable terms they would dispose of it at a profit when its value rose, and so get the habit of watching the stock market, that when the profit distribution was large the employees learned to expect a similar "bonanza" every year and were disgruntled if they did not get it, to say nothing of their discontent if conditions forbade any extra payment at all; and that all schemes of this sort are necessarily complicated and hard to understand, so that the workers, especially of the less intelligent grades, are not easily convinced that the system really benefits them and is not merely a device to withhold a part of what they might otherwise demand and get.

That difficulty of comprehension is real and not imaginary must be acknowledged by investigators of the great number of schemes attempted, hardly any two being

precisely alike, and many of them apparently based upon no accepted economic theory but embodying ideas peculiar to the individual employer. This is especially true of the many plans which base an equal percentage of profit division upon the total capital, for the employer, and the total wage roll, for the employee, although the two are in their economic nature wholly unlike, the one being a fixed investment and the other a form of earnings.

One employer of national prominence, who has made a number of interesting experiments in the effort to better the conditions of labor, bases his disbelief in profit sharing upon the trouble and discontent that are likely to result either from the inability of the employing company at times to pay the expected dividends, or from the employer's desire to husband his resources, as for example to build a new factory giving work to a larger number of men, while the profit sharers, to whom he believes the company's books should be open, want him to pay out the funds immediately as dividends to themselves.

His views are more or less in accord with those of the labor leaders, as he prefers to "pay high wages, to which should be added welfare work, first providing for good health and then, among other things, rational means of recreation." Savings banks and building and loan associations and forms of insurance afford adequate opportunity for the wage earners to make their own investments, in his opinion, if the employer pays all the dividends he can afford in the form of high wages every week.

Among the points raised against profit sharing by trade unionists the chief is, of course, that the interests of labor as a whole would be imperilled by any weakening or destruction of strong organization to protect wage standards which, under profit sharing, would pass wholly under the control of the employers.

Another objection by organized labor, which it must be acknowledged is borne out by the statistics of many of these experiments, is that profit sharing chiefly affects only the superintendents, foremen and higher grades of employees and does not reach the rank and file. Either, it is claimed, the profit payments are too small to be of any moment to the low paid workers, or, where it is a stock subscription plan, the mass of the workers do not earn enough to buy any stock, even on installments.

Union representatives also point out that labor itself is making no demand for profit sharing, either in the organized or unorganized fields, and that the things of real and vital interest to labor are not those which employers propose but which emanate from the workingmen themselves.

Another frequent criticism is that market wages are not paid where profit sharing is applied, so that wages and profits together do not exceed and often do not equal the prevailing union scale. Analysis of the report shows that this charge is not borne out in some cases, and that there are, in fact, a few profit sharing experiments by concerns employing union labor. It is probable, however, that in a majority of instances union rates of wages are not paid by the companies employing non-union labor and carrying on profit sharing experiments.



It has been urged by labor representatives, furthermore, that while profit sharing is often described as a means of bringing them into closer relation with the ownership and management of the property, it gives no real voice in the control, not even the right to inspect the books to determine in what way the company figures the profits of which the employees are supposed to receive a certain percentage. A number of companies, whose plans are analyzed in this report, do grant this specific privilege to committees of employees but the majority probably do not. A further question is here involved, of course, to what extent employees have con-

fidence in the records and accounts submitted to them. Probably in very few cases would suspicion be warranted on this score, but the element of suspicion itself, to whatever extent it exists, must be reckoned with as one of the factors bearing on the practical value or otherwise of this book examination privilege. Much more serious is the fact of the difficulty committees of workingmen are likely to find in understanding the book accounts of a large and complicated business enterprise. Frequently, the directors of such concerns require the services of highly paid expert accountants in order to reduce the year's operations to a point where they themselves are able to comprehend the net results.

Some of the spokesmen for labor further object to the whole theory of profit sharing on the ground that if the profits are paid as something actually earned, they are a right and should be as definitely a legal claim of labor as are wages, rather than a payment optional with the employer; while on the other hand, if they are not a right, they are merely gifts, creating an un-American sense of obligation and dependence among the workers and often preventing them from demanding what they conceive to be their rightful earnings.

The present report makes no attempt to decide between these conflicting claims or to weigh the relative importance of the advantages and disadvantages of profit sharing. It endeavors to show impartially all important details of the plans as described by the companies maintaining them, the claims made for them and the objections urged against them. Many ingenious features have been worked out in some of these plans, and the analyses are full of interesting sidelights on their practical workings and larger significance. An attempt to summarize these could only do injustice to many omitted items equally worthy of attention; but whoever is in search of light upon the subject, either in its practical bearings or from the social viewpoint, will find the entire report of absor-

ing interest. It is the last word on American experience with profit sharing and the attitude towards it of the various elements most directly concerned.

HAYES ROBBINS.\*

New York, April 1, 1916.

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\*Graduate, School of Social Economics (New York), 1896, and Dean of same 1889-1903. Joint author "Outlines of Social Economics" and "Outlines of Political Science." Secretary Civic Federation of New England (Boston), 1905-1909. Editorial writer, and contributor to monthly reviews.

## DEFINITION OF PROFIT SHARING.

As long ago as 1889, an International Congress on Profit Sharing was held at Paris, which was largely attended. At that meeting a resolution was passed, defining profit sharing in the following terms:

“The International Congress is of the opinion that the agreement, freely entered into, by which the employee receives a share, fixed in advance, of the profits, is in harmony with equity and with the essential principles underlying all legislation.”

This definition was adopted by the International Co-operative Congress held in Delft in 1897, reiterated by the International Congress on Profit Sharing held in Paris in 1900, and is today the generally accepted definition of true profit sharing.

The International Co-operative Congress held in Paris in 1896 appointed a special committee to report on the exact meaning of the term PROFIT SHARING, and the report of the committee submitted to the Delft Congress in 1897, embodying the above definition, also stated:

“With respect to the ‘agreement’ mentioned in the definition, the committee considers that while an agreement binding in law is the normal form, it do not exclude cases in which the agreement has only a moral obligation, provided that this agreement is, in fact, honorably carried out.

“By a ‘share’ in profits is meant a sum paid to an employee, in addition to his wages, out of the profits, the amount of which is dependent on the amount of these profits. If an employer undertakes, for example, to contribute to a Pension Fund £1 for every £2 contributed by his workmen, this is not a case of Profit-sharing, unless the undertaking is to pay out of profits only, because the sum payable

under the agreement does not depend upon the amount of the year's profits.

"With respect to the 'profits' a share in which is, under a profit-sharing scheme, allotted to the employees, these profits are, in the opinion of the committee, to be understood as the actual net balance of gain realized by the financial operations of the undertaking in relation to which the scheme exists. It is, therefore, necessary to point out that the payment of bonus on output, premiums proportionate to savings effected in production, commission on sales, and other systems under which the amount of the bonus depends upon the quality or amount of the output or volume of business, irrespective of the rate of profit earned, does not constitute Profit-sharing."

The *Encyclopedia Britannica* (11th Edition) defines it:

"*Profit Sharing* (i. e., between employer and employee) a method of remunerating labor under which the employees receive in addition to ordinary wages a share of the profit which the business realizes. The term is not infrequently used loosely to include many forms of addition to ordinary wages, such as bonus on output or quality, gain sharing and product bearing. Yet strictly where an employee or group works for a share of the products, or is paid so much in addition to ordinary wages in proportion as the product exceeds a certain standard, in neither of these cases have we profit sharing, for the net result of the business may be a large profit or a small one or a loss and the employee is unaffected. In the same way if a workman is employed on the basis that if in doing a particular job he saves something out of a stipulated time or labor, or a stipulated amount of material, he shall receive in addition to ordinary wages a proportion of the value so saved, that is technically gain sharing, not profit sharing. Even where the bonus depends strictly on profit, it is not reckoned as profit sharing if it is confined to the leading employees.

"An agreement is the essence of the matter. It is not profit sharing where an employer takes some-

thing from his profits at his own will and pleasure and gives it to his employees."

While the principle of profit sharing in some form or other is undoubtedly of ancient origin, it was not until the year 1842 at Paris, France, that profit sharing in its strict sense was definitely applied to a commercial enterprise, in a house-painting establishment known as the Maison Leclaire. A sketch of this pioneer venture is given in another chapter.

## SOME FRENCH TYPES.

### THE MAISON LECLAIRE.

Edme-Jean Leclaire, who has been called the Father of Profit Sharing, was born in 1801, the son of a poor village shoemaker. At the age of seventeen he went to Paris, penniless and alone, where he became a painter's apprentice and then a decorator, and at the age of twenty-six he set up a business for himself as a housepainter. In 1838 he established a Mutual Aid Society for his employees, and four years later his business had grown to such proportions that he had in his employ 300 men on day wages. It was his idea that by generating greater zeal and enthusiasm among his workmen and preventing waste, they could, without any harder work, save him 75,000 francs a year. He made it a matter of financial interest to his men to do so by agreeing to pay them a certain fixed percentage of the profits. His plan, which is still in operation in the business which he founded, is as follows :

After paying 5% interest on the capital and small sums as wages to the two managing partners, the remaining profit is divided into four parts, one of which goes to the managing partners, one to the Mutual Aid Society of the firm, and two to the employees as dividends on their wages exclusive of piece work and overtime, on which no dividend is paid. The Mutual Aid Society is a registered body and is a limited partner in the firm, the liability of the two managing partners being unlimited and the control resting entirely in their hands. The benefits of the Mutual Aid Society and all the profit sharing generally are enjoyed in the main by all the employees of the business but certain advantages are confined to a limited number of prominent employees.

Leclaire, who died in 1872 leaving a fortune estimated at over 1,200,000 francs, attributed his success to his profit sharing scheme, resulting in the co-operation of his workmen, without which he maintained it would have been impossible for him to have established so large a business or accumulated his fortune.

The house of Leclaire is now known as Brugnot, Cros, et Cie. It employs more than twelve hundred persons, including a salaried staff of sixty. About 140 of the employees are set apart, by reason of their experience and character, in a special classification called the "nucleus," leaving about 1,000 in the unpreferred class. The active partners chosen from among the salaried staff are required to put a certain amount of capital into the business, but this capital represents accumulations of their shares in the annual distribution of profits. New members of the "nucleus" are appointed at a general meeting of that class. The profits are divided among the employees in proportion to their wages and salaries. The annual profits run as high as \$100,000. Of this sum, the wage and salary workers receive 50 per cent, \$50,000; the mutual provident and benefit societies 35, \$35,000; and the active partners 15, \$15,000. In a good year, the bonus to the workers in general forms an addition of 20% to their earnings. A life pension of \$300 is granted to a member at the age of fifty who has completed twenty years of service. Widows of members (and orphans until their majority) draw a half pension. Non-member workmen, disabled while in the employ of the company, are entitled to a pension of \$300. Other forms of benefits, including insurance, are paid. The funds of the society had five years ago reached \$750,000. The educational features of the company are noteworthy. Much of the finer work in house painting and decorating, not only in Paris but throughout France and in other countries, is performed by employees of the company.

The story of the moral effect of Leclaire's theories put in practice is even more interesting than the state-

ment of the financial gains of the workmen. Leclaire himself stated that in the early years of his experience as an employer it was commonly necessary for him, when having two men perform a job, to send a third man to supervise their work and keep them in order. A few years after establishing his profit sharing, this was unnecessary. At his first annual payment the men, on receiving their bonuses, were suspicious that some form of trickery was to be attempted upon them. It was not until after several yearly payments had been made that anything like general confidence was established. No attempt at a full description of this famous case of profit sharing can be here made. It is commonly spoken of as a model which in many respects may be fruitfully studied by employers entertaining intentions of beginning profit sharing.

The "Familistère de Guise" is the name of a remarkable development of labor co-partnership, co-operation, and community living in a small town in the northeast of France. It sprang from the philanthropic aspirations of J. B. André Godin, who founded a manufactory of heating apparatus, hardware and similar products in 1840. In 1876 he introduced profit sharing and in 1880 established a joint stock company with various forms of co-operation. New co-operative or even "communistic" features were from time to time added. These included the care of young children in groups by competent nurses; the various grades of schools, with vocational training; a community theatre; co-operative supply stores on the Rochdale system; and preparation for the higher education. The homes of a large proportion of the workmen and their families were in a "palace" designed with due regard to comfort, cleanliness, and general utility. Of recent years, the number of employees has been about 2,300. Of these in 1910, more than 1,400 had served more than ten years and 675 more than twenty years. The great works of the company lie at

one side of a little stream (the Cise) not far from its source, and the buildings pertaining to home life on the other side, the whole surrounded by farm lands.

When M. Godin died in 1888 he bequeathed to the company \$600,000. The capital has recently been about \$1,200,000, the annual business reaching \$1,600,000, and the total assets more than \$2,300,000. The division of the profits is according to a complicated system worked up in the course of years through long continued discussion. Sufficient here to say that men regularly employed by the company, while never expecting to become rich, can look forward to a life with no exhausting overwork, no deprivation of necessities and no fear of pauperism. Pension grants to the sick and needy, the support of widows and orphans, and other welfare schemes serve to render the men and their families contented. A library and musical and athletic societies were long ago established.

It is sad to record that the entire works, the village and structures of all kinds connected with the institution are reported by the newspapers to have been destroyed in the great war.

#### LAROCHE-JOUBERT, LACROIX ET CIE.

In 1843, a year after Leclaire adopted his plan, the paper manufacturing concern of Laroche-Joubert, Lacroix et Cie., at Angoulême, France, began sharing profits with their work people of whom there are at present eleven or twelve hundred. The profits are apportioned 25 per cent to capital, 25 per cent to the managing directors and the board of management, and 50 per cent to the salary and wage-earners.

#### THE PARIS AND ORLEANS RAILWAY COMPANY.

In 1844 the Paris and Orleans Railway Company adopted a profit sharing plan with its employees. Eventually, instead of paying its employees cash bonuses, the

dividends declared were paid in favor of their accounts in the State Pension Office.

#### THE BON MARCHÉ.

In 1876, Jacques Aristide Boucicaut, the founder of the Bon Marché, and the proprietor until his death in 1877, adopted a plan of profit sharing which was extended by his widow, who succeeded in the management of the business. The present co-partnership scheme dates from 1880, when the principal members of the staff were taken into partnership. The present capital of this great department store is twenty million francs, and the yearly sales exceed forty million dollars. The somewhat complicated plan includes sales of stock, apportionment of a part of the profits, payments to a pension fund, and the benefits of various welfare institutions in connection with the establishment.

The General Assurance Company established profit sharing in 1850. It employs about four hundred fifty clerks and messengers. Since 1850, the company has paid into the employees' provident fund sums aggregating more than four million dollars.

The Union Fire Insurance Company began sharing profits in 1838. In 1910 the managers received bonuses equivalent to 70.52 per cent of their salaries, the sub-managers 52.89, and the inspectors 35.26; while the clerks, messengers, etc. received sums equivalent to 24.41, without counting special gratuities granted to "the most deserving." The company has 275 employees of the head office, 30 divisional inspectors and 7,500 agents and sub-agents in France and abroad.

The Chaix Printing Office of Paris established profit sharing in 1872. It has a force of 1,200 persons. At present, it pays the whole of the profits shared into the old age pension fund. The average proportion of pensions to wages is about 5 per cent.

The National Fire Insurance Company began a form of profit sharing in 1820, but it was given only to a few

participants. It now allots a cash bonus of 5 per cent on the total sums paid as dividend and interest. It has also a special bonus fund for pension purposes. It also makes grants to retired employees and to the widows and children of deceased employees.

The Châtelet Theatre set up a profit sharing scheme in 1911. It includes, after six months' continuous service in the theatre, members of the orchestra, officials of various kinds, scene shifters, electricians, call boys, porters, night watchmen, etc. The scheme will "automatically come to an end if the operation of the theatre is interrupted at any time by reason of a general strike." Ten per cent of the profits is appropriated to a friendly society numbering 800 members, employees of the theatre.

#### THE GODIN STEEL WORKS.

In 1877, Jean Baptiste André Godin, the proprietor of a foundry in Guise, France, adopted a plan of profit sharing.

## EXPERIENCE IN ENGLAND.

The success of Leclaire's plan in France attracted the attention of a number of English economists, among them John Stuart Mill and John Bright. Beginning with the year 1865 a number of profit sharing schemes were attempted in England, the most important of the earlier schemes immediately follows.

### HENRY BRIGGS SON & COMPANY.

In 1865, this firm, as the owners of the Whitwood Collieries in Yorkshire, adopted a plan of profit sharing for the avowed purpose of detaching their workmen from the trade union. The plan was apparently successful for about eight years, during which time about £40,000 was divided among the workmen as a bonus on their wages. In 1873 the men went on a strike against a reduction in wages and that instant marked the end of profit sharing on the part of this firm.

In England there are over twelve million persons engaged in gainful pursuits where profit sharing is possible.

The "Report on Profit Sharing and Labor Co-partnership in the United Kingdom," published by the British Board of Trade in 1912, gives the history of every attempt at profit sharing in England from 1829 to 1913. The net result is that in all that time there were 299 schemes inaugurated. Of these 163 had ceased to exist at the time the report was published. Of the 133 remaining, there were only 106,189 employees involved, and the larger number of those were employees in public utilities.

Of those engaged in the operation of public utilities, 28,246 were employed by gas companies.

The following extract from the report describes in detail the plan of an important gas company:

**SOUTH METROPOLITAN GAS COMPANY.**

"At the beginning of November, 1889, the South Metropolitan Gas Company, which had already been giving its officers and foremen an annual bonus dependent upon its profits since 1886, adopted a scheme of general participation. In March, 1889, 'The National Union of Gas Workers and General Labourers of Great Britain and Ireland' was formed, and shortly afterwards succeeded in obtaining very considerable concessions in favour of men employed in gasworks. In August-September, 1889, the London dock strike took place; and a general movement was started for securing better terms of employment for the working-classes, and especially for labourers doing heavy work demanding a minimum of technical skill, such as the work required in gas making. In the course of the autumn the Gas Workers' Union made certain demands upon the South Metropolitan Gas Company; these were not resisted, but the company's officials became convinced that further concessions which the company would feel unable to grant would probably be put forward by the Union, and that 'a strike was likely to take place at any moment without any warning.' In order to avert this contingency, Mr. (afterwards Sir) George Livesey, the chairman of the company, induced the directors to assent to the adoption of a special system of profit-sharing. The company employs a large number of workmen, some all the year round regularly, the others in winter only. The offer made (on November 6, 1889) to all the regular staff in the service of the company was as follows. The shareholders (as the law then stood) were allowed to receive a dividend of 10 per cent when the price of gas was not above 3s. 6d. per 1,000 feet, and an additional dividend of  $\frac{1}{4}$  per cent for each reduction of one penny per 1,000 feet in the price of gas; the plan proposed was to give the employees a bonus of '1 per cent on their year's wages for every penny reduction below 2s. 8d. per 1,000 feet' (the price then being 2s. 3d.). In addition, there was to be placed

to the credit of every man who should accept the scheme a sum equal to what he would have received as bonus if the scheme had been in force during the preceding three years, this 'nest-egg' being equivalent to 9 per cent on one year's wages. In order to take the benefits conferred by the profit-sharing scheme, the workman was required to sign an agreement binding himself to work for the company for twelve months at the current rate of wages, the company agreeing to employ him during that period, and also undertaking 'that no alteration shall be 'made in the wages to the disadvantage of any of the 'men.' The money coming to the employees under the scheme was not to be withdrawn, except in case of death, during the first year, 'nor during the first 'five years, except in case of death, superannuation, 'or leaving the service of the company,' but was to remain on deposit at 4 per cent with the company, and was to be forfeited in case of a strike or wilful injury to the company. Within a week about 1,000 of the regular workmen signed the agreement; but by many of the men much dissatisfaction was felt with the company's proposals. A very large number of stokers, being employed for the winter only, found that the scheme did not extend to them, and their hostility was, no doubt, a potent factor in promoting wide-spread discontent with the project. In consequence of a meeting between the directors and representatives of the workmen who had signed agreements, held on November 21, 1889, the company withdrew the clause under which a man was to forfeit his bonus in case of strike or wilful injury, agreed to allow the future annual bonuses to be paid out in cash, and made other modifications in order to meet objections. The scheme was issued in a revised form on November 27, 1889, provision now being made for paying a bonus to workmen employed during the winter only (as well as to the regular men), subject to their signing an agreement to serve the company for three months. However, the Gas Workers' Union manifested a strong aversion to the scheme on a variety of grounds, the most important objections being that the scheme was likely to induce men to leave the Union, and that men bound

by twelve-monthly agreements, especially by agreements terminating at different dates, and punishable for breach of their contracts by penalties of a criminal<sup>t</sup> as well as of a civil nature, would find it impossible to strike with effectiveness, if such a measure should appear necessary with a view to obtaining any desired alterations in the conditions of employment. Accordingly, the Union insisted that the profit-sharing scheme should be abolished, *and* [subsequently explained to be a mistake for or] that the men who had accepted it should be removed from the works; and to enforce this demand over 2,000 men (practically the whole of the company's stokers) came out on strike on December 12, 1889. The company filled the places of the strikers; and the strike, having virtually worn itself out, came to an end on February 4, 1890.

"The lines upon which the profit-sharing scheme was carried out were materially changed in 1894, when it was arranged that the rate of bonus should be increased from 1 to 1½ per cent on wages for every penny at which gas was sold below the standard price; provided that, when the rate of bonus reached 9 per cent, the further increase was to be at the old rate of 1 per cent. The new arrangement applied to employees who should agree to have one-half of the whole amount of their bonus for the current year invested for them in the stock of the company; the bonus was to be calculated on the daily wages, no account being taken of over-time, and as to men on piece-work, on the amount the men would have earned at their ordinary rates in the regular working hours; the sums to be thus set aside out of bonus were to be invested in the names of trustees (three in number, one director, one officer, and one profit-sharing workman); and when a man had so credited to him an amount sufficient to buy £5 worth of stock (the price of which was then £12 15s.) a stock certificate should be issued in his name. Such winter men only as arranged to come back the following winter were allowed to have their bonus on

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<sup>t</sup>Persons employed in gasworks, such as those of this company, who break a contract of service can, under certain circumstances, be punished by fine or imprisonment under the Conspiracy and Protection of Property Act, 1875 (38 and 39 Vict. c. 86, sec. 4).

the new scale. The company also undertook to allow 4 per cent interest upon all withdrawable amounts and any other savings, and to arrange for the investment of any such sums in its stock or shares.

"The agreement which the company required its employees to sign as a condition of their participation in profits required the employee to state that he was not a member of the Gas Workers' Union and the continuance of his employment was made conditional on his not joining that Union; but these restrictions were dropped many years ago. The period for which the men engage themselves is, for the most part, 12 months, save in the case of the winter men, whose terms of service vary from 3 to 6 months. The Rules of the scheme provided for the appointment of a Profit-sharing Committee (the name of which was in September, 1903, changed to "Co-partnership Committee") and for the election of auditors to supervise the accounts.

"By the Company's Act of Parliament of 1900 the starting point of the sliding scale in relation to the dividend of the shareholders was, as from July 1, 1901, lowered from 3s. 6d. per 1,000 feet to 3s. 1d. In the revision of the rules of the profit-sharing scheme which came into force on the same date, the starting point of the bonus scale was made 3s. 1d. instead of 2s. 8d.; and instead of the two rates previously in force (1 per cent on wages if all the bonus were withdrawn and 1½ per cent if half were invested in stock) bonus was fixed to be paid in future at one uniform rate, *viz.*, three-quarters of one per cent on wages for every reduction of one penny in the price of gas below 3s. 1d. per 1,000 feet. At the same time the investment of one-half of the bonus in the company's stock was made obligatory for all except the winter men, and the minimum amount of stock to be purchased out of accumulated bonus was raised from £5 to £10. Winter men under agreement were to be entitled to the full bonus provided they returned in the following winter and left the withdrawable half on deposit with the company, the other half being invested in stock on their behalf. If, however, they chose to take the withdrawable half in cash, they would not be entitled to any investment in stock. Should the half bonus at any time amount

to 5 per cent, the maximum payable to winter men taking payment in cash would be reached. With regard to the disposal of their stock by employees it was now provided that 'Any man selling his stock 'to any outside party, without the consent of the secretary of the company, will at once cease to be a 'Profit-sharer . . . those who sell their stock 'except for the best reasons, such as investing in the 'Building Society or buying a house, and those who 'regularly withdraw their half bonus, will be struck 'off the list. They may, however, again become 'qualified by saving for two consecutive years an 'amount equal to one week's wages in each year.'

"By the same revision the rate of interest on money of the employees deposited with the company was made a uniform 3 per cent, irrespective of amount.

"By the latest revision of the Co-partnership Rules, which came into force on July 1, 1910, an important alteration was made in regard to the treatment of the bonus. Up till then, while one-half of the bonus was required to be invested in the company's stock, the other half might either be left on deposit with the company or invested in stock, or might be withdrawn at a week's notice. Now it was laid down that this second half of the bonus is to be 'left in the company's hands to accumulate at interest, or it may be invested in stock with the trustees, or it may be withdrawn under *special circumstances* by giving a week's notice.'

"Another change made by the 1910 revision was the increase in the number of members of the Co-partnership Committee from 36 to 54; and it is provided that 'candidates must hold and continue to 'hold while in office on the Committee not less than '£25 of stock, and they must have been not less than 'five years in the company's service.'

"Speaking generally, a large part of the functions of the Co-partnership Committee consists in smoothing away friction which may arise between individual workmen and their employers, and in removing suspicions entertained by a workman that he is not being treated fairly. For this purpose a very important part is played by the workmen's representatives on this Committee to whom the workman who thinks himself hardly dealt with applies in the

first instance. In very many cases a talk between the workman and the representative on the Co-partnership Committee of the class of employees to which he belongs suffices to allay the man's discontent. Should this not be the case, the next step is for the representative before whom he has laid his case to put the matter before the superintendent or other official in charge of the department of the works in which the workman is employed. If the interview between the official and the representative should fail to produce results satisfactory to the complainant, then the case is brought before the Co-partnership Committee. But the necessity for this step occurs but seldom, most cases being settled in the manner above mentioned. When complaints come before the Committee its decision is always accepted without demur.

"On August 27, 1898, a scheme for the election by the officers and workmen of the company of employee-directors, made under the provisions of the Company's Acts of 1896 and 1897, came into operation. This scheme was to continue in force for three years (subject to cesser, if the amount of the investment of the employees in the stock of the company should fall below the nominal amount of £40,000), and was renewed in 1901. In 1907 the scheme was again renewed for a further period of 43 years. It is, however, subject to prior determination should the employee-shareholders reduce their holding of stock below certain specified limits, or should the shareholders resolve that the Co-partnership Scheme no longer answers its purpose of promoting a true union of employers and employed. Such resolution is to be subject to the approval of the Board of Trade.

"The number of employee directors is not to exceed three, of whom one shall be a salaried officer, and the other two employees in receipt of weekly wages; and it may be reduced below that number if the amount of stock held by the employees should decrease. At the date of the adoption of the 1907 scheme the employees held stock of the company to the aggregate amount of approximately £200,000, or one-thirty-second of the total capital of the company:

"With respect to the qualification of an employees' director it is provided that:—

"The qualification of an employees' director shall be two-fold, the having been continuously not less than 14 years in, and continuing in, the employ of the company and the having held for not less than 12 months prior to the date of election, and the continuing to hold, not less than £120 stock of the company, accumulated under the co-partnership scheme. As the aggregate holding of stock increases, so shall the qualification . . . of employee directors increase in the following proportion:

"Aggregate holding £200,000,	qualification, £120
"                " £300,000,	" £140
"                " £400,000,	" £160
"                " £500,000,	" £180
One-tenth of capital or more,	" £200.'

"Taking the whole period during which the profit-sharing scheme has been in force, the bonuses paid under the scheme have made an addition to the wages and salaries of the participants at the average rate of 6.9 per cent.

"The number of persons employed by the company in 1911 varied between 5,534 and 6,704, of whom, at the end of 1911, 5,800 were entitled to share in profits.

"In all, 5,656 of the company's employees hold between them ordinary stock of the company to the (nominal) amount of £301,490 (of whom 4,767 hold in their own names £290,700, the trustees holding £10,790 on behalf of 889 employees).

"In addition, the company holds on behalf of 5,534 of its employees deposits (accumulated bonus and other savings) to the total amount of £54,260.

"With regard to the share in the control of the affairs of the company possessed by its employees, it is estimated that out of the total number of votes which could be given at a general meeting of the shareholders the proportion representing the voting strength of the employee-shareholders is about 2 per cent; while of the ten directors of the company three (one official and two workmen) are representatives elected by its employees.

"In reply to the questions addressed to it by the Labour Department as to the results of the system above described (asking whether the system had proved satisfactory, whether it had called forth extra zeal, and whether it had tended to promote harmonious relations between employers and employed and avoidance of strikes and disputes) the company states 'To all the above questions—Yes.' "

#### SIR CHRISTOPHER FURNESS'S SCHEMES FOR LABOR CO-PARTNERSHIP.

##### THE WINGATE COLLIERIES.

In May, 1909, Sir Christopher Furness, with two associates, acquired the extensive Wingate Colliery in the North of England and submitted to the workmen there employed an elaborate co-partnership scheme.

The plan was described by Sir Christopher Furness, in a speech to his employees, as follows:

"1. While the Board of Directors will retain for the officials of the company full power to employ men as the circumstances of the moment may determine, the general conditions of working and payment accepted by the Miners' Union will be duly recognized. On the other hand, it is well that it should be understood from the beginning, that, in view of the advantages in which employees engaged on the colliery will certainly share, as well as other benefits that may possibly accrue to them, our officials will be under strict injunctions to see that only men of capacity and industry, discreet conduct and sober habits, and regularity in hours, shall be retained in the service of the company.

2. Every employee—whatever his status (for according to my standards, labourers have rights equally with other members of the working class community)—every employee, I say, becomes a member of the co-partnery by signifying assent to its principles, and by acquiescing in the regular deduction of 5 per cent from his pay until the shares to be allotted to him, and which he must apply for, are fully paid, thus enabling him to acquire his holding by gradual instalments; and no employee can con-

tinue in the service of the company for more than three months unless he becomes a co-partner.

3. The labor co-partners—who in other respects will be as the workmen of other collieries in the county of Durham, not forgetting the legal rights conferred on employees by the Workmen's Compensation Act—will participate to the extent of their share holdings in such profit as may from time to time be paid in dividends by the company. Large and small shareholders alike will be placed on precisely the same footing.

4. The control of the company's affairs will be vested in the Board of Directors, and no one but the management will possess authority to discharge as well as to engage workmen, with responsibility to the Board alone. Alongside this form of administration, however, there will exist a Colliery Council, composed equally of representatives of the directors and representatives of the employees, which body shall become the repository of information of importance or interest that may be communicated without injury to the company's welfare, shall have power to investigate and bring efforts of conciliation and persuasion to bear upon matters that may come into controversy between employees and employers or their representatives, and shall be entitled, by majority vote, to make representations and offer counsel to the Board in matters directly relating to the working arrangements and conditions associated with the colliery. Furthermore, the representatives of the employees would possess the privilege of summoning to meetings of the Council, whenever their advice was desired, the officials of their trades-unions, who would be entitled to elicit information and to address the Council on the subject occupying its attention. But these are points of detail which can be settled in conference subsequently, should you and your fellows resolve to co-operate in the execution of the scheme I am now propounding to you.

5. The above outlined arrangement, alike in its parts and in its entirety, is subject to the cardinal and supreme condition, that in acquiescing in it, the co-partners, while accepting the hours, wages, and other conditions of labour actually secured general-

ly by the employees' trades-unions throughout the country, which shall govern this compact, agree to substitute, on the one part for that barbaric instrument the strike, and on the other part for the equally out-of-date instrument the lock-out, conciliation by the Colliery Council, or, this failing, arbitration by a court of representatives of employers and employees and presided over by the County Court Judge of the district or his nominee, the chairman of such court to be regarded in the last resort as final arbiter in all matters of dispute.

There, in substance, you possess the elements of the proposition I submit to you for your consideration, and I am not without hope that, in the end, you will concede that the conditions are reasonable and just, and well calculated to produce the results which we must all desire."

The plan was submitted to the Miners' Union and rejected by them and, in advising Sir Christopher Furness of the action of the meeting, the chairman wrote him:

"In connection with our meeting on Tuesday, June 22, to consider your 'Co-Partnery Scheme,' we had a representative from our Executive Council at Durham, and after careful consideration of the above, they advised us to have nothing whatever to do with the same."

This incident is of more than passing interest when it is considered in the light of the then existing relations between Sir Christopher Furness and the labor interests. Some months previously he had devised and put into operation a similar plan at the shipbuilding yards of the following company with which he was identified.

#### **IRVIN SHIPBUILDING AND DRY DOCK COMPANY AT THE HARTLEPOOLS**

In that particular instance the co-partnership scheme had its genesis in the severe labor struggle in the shipbuilding industry on the northeast coast of England and on the Clyde in 1908. The proposal for

the extension of the system to his coal mining industry did not have its origin in strife but rather in the fact that his experiment at the shipyards was proving to be an unqualified success. Notwithstanding the success of this scheme from the point of view of both the employer and the employees, the latter voted to discontinue the plan at the end of the year. This remarkable action on the part of the employees is explained by Ralph M. Easley in a statement on that subject made in 1913, a part of which is given below:

"A few years ago I spent a night at the home of Sir Christopher Furness, who had worked out a most comprehensive and, to my mind, fair and sane scheme for profit-sharing. As most of the men in his shipbuilding yards belonged to the unions, he started out by insisting that all the employees should belong to a union and he thought the union officers should be represented on the board of directors of the shipbuilding plant where he was making the experiment. He had just completed the first year of the plan and was quite delighted with the outlook for its success.

"The night before I went out to his place, however, I had been in the House of Commons and had there met twenty-five of the labour members of Parliament. Nearly all of these men had been guests of The National Civic Federation when Mr. Alfred Mosely brought them over here the year before. There were some thirty of them in the United States and we sent them all over the country. Included in the number was Mr. Barnes, the head of the Engineering Society. I told Mr. Barnes that I was going to see Sir Christopher Furness, who had invited me to visit him and talk over his profit-sharing scheme, and I asked him what he thought of it. Mr. Barnes answered: 'There are eleven hundred of our men employed there and they are all for it; but I am against it.' I said: 'That's a remarkable situation. Why are you against it?' This was his reply, and I think it represents in a nutshell the view of the entire organized labor world: 'If all the employers in England were as fairminded and as decent as Sir

Christopher Furness, there would be no use for the unions and we could afford to disband; but, unfortunately, all employers are not of his type and, if we should disband tomorrow, we should, under economic pressure, gradually drift back to where we were twenty-five years ago, or worse. Now, if we are to exist, we must have members and those members have to pay dues. If those members come to think that profit-sharing is going to take care of them, then they are not going to pay dues and the organization, as a result, would go out of business, and there you are.'

"Now, however selfish some persons may consider that position, those of us who believe that the unions are performing a great service to society in helping to improve the conditions of the working man, must face one of two alternatives. We must either accept the view that in fighting for the life of the trade union they are doing a worthy thing and ought to be supported, or the view that it would be better for the wage-earning class, as a whole, to 'smash the unions' and take a chance on the generosity of the employers to see that the wage-earner receives his full due.

"A few months later the whole scheme of profit-sharing in Sir Christopher Furness's shipbuilding yards came to an end, for the reason that Mr. Barnes had persuaded his men to decline to renew the agreement.

"Those who would 'smash the unions' (and I do not mean that in an offensive way) must realize that organizations of labor are increasing in strength and not decreasing. The American Federation of Labor has added to its membership over five hundred thousand members in the last four years, and there are no signs of disintegration in the ranks of the railway brotherhoods. In fact, they are stronger today than ever before."

LEVER BROTHERS, LIMITED.

SOAP MANUFACTURERS. PORT SUNLIGHT, ENGLAND. 1909.

A profit-sharing plan in the form of a "Co-partnership Trust" was put in operation by Sir William Lever

in 1909 at the several plants owned or controlled by the firm within the United Kingdom, and extended in 1910 to employees of its factories in other parts of the world. One of these is located in Cambridge, Mass.

It is expressly provided in the company's Articles of Association that the "partnership" plan is not to be construed as creating an actual partnership in law between the company and any person interested under the scheme.

For the purposes of the plan "preferential" certificates and "partnership" certificates are issued, the latter for a nominal amount up to £1,000,000. These certificates have no cash value but are designed merely as a measure of the dividend which may be payable to the employee-partner, so-called. The certificates draw dividends at a rate 5% less than that paid on the company's ordinary shares. For example, when the ordinary dividends amount to 15%, the dividend on partnership certificates is 10%. The distribution of certificates is made annually on the basis, approximately, of 10% of the employee's wages, and the maximum face value which may be issued ranges from £200, in the case of employees whose annual wages are £100. or less, to £3000. in the case of those whose salaries are £750. or more.

The preferential certificates may be issued, at the discretion of the holder of the majority stock of the company, to any institution whose object is the betterment or advantage of employees of Lever Brothers, such as the church, schools, club and parks. These certificates bear interest at 5%. The partnership certificates are issued to employees, subject to the maximum scale referred to, applying to four stated classes of beneficiaries. These classes are (1) directors, (2) managers, (3) salesmen, and (4) the general staff of workmen. The issue of certificates to each of these groups is not to exceed one-fourth of the total authorized issue for the time being.

The payments to certificate holders are made through a board of trustees, composed of the directors of the company with the exception of the founder, Sir William Lever. The allotment is according to the individual merits of the applicants, who must be at least 25 years of age, of good character and a clear record of at least four years faithful service. In the original plan the limitation was five years. Beneficiaries must agree to be bound by the provisions of the trust and the scheme, and undertake to render careful and loyal service.

Certificates may be cancelled in case of neglect of duty, dishonesty, immorality, flagrant inefficiency, disloyalty or other breach of the trust agreement, or in case of voluntary withdrawal from the company's service. The widow of a deceased employee receives a preferential certificate in exchange for the partnership certificate formerly held by her husband, and the same privilege is extended to employees who are obliged to retire for ill health or who are dismissed through no fault of their own. All decisions in individual cases are made first by the trustees, but appeal may be taken to a committee of twelve, made up of three members from each of the four classes of employees above designated. In case the trustees do not accept the action of this committee, the matter goes to the chairman of the company for final decision. Acceptance of partnership certificates binds the beneficiary to abide by the results of this method of adjustment, without any appeal to a court of law.

The scheme has been recently changed to provide that "partner-employees" may be paid their dividends in 5% cumulative preferred shares of the company, which may be sold at the employee's option, but to induce him to retain them it is arranged that if not sold they will draw a dividend equal to that paid on the partnership certificates.

It is stated that since the adoption of the system the volume of business, the profits and the capital have each more than doubled, and that the payment of dividends to

~~er~~ employees has not been obtained by cutting down wages. On the contrary, since 1908 the wages for unskilled labor, including the war bonus, have increased by 55%.

There are at present more than 3,400 holders of partnership or preferential certificates, and included in this total are nearly 800 co-partners admitted in December, 1915. There were in 1911 about 11,500 employees of the firm throughout the world, which number has presumably largely increased with the growing volume of business in recent years. Probably a conservative estimate would be that about one-fourth of the total number of employees are beneficiaries under the co-partnership plan.

The opinion of Sir William Lever is quoted in the British Board of Trade Report of 1911, on "Profit-Sharing and Labour Co-Partnership in the United Kingdom," to the effect that "with the majority the Scheme does increase their sense of responsibility and loyalty to the firm, perseverance and assiduity in the discharge of duties. He would not abandon it, nor has he any desire to go back to the days before the Scheme."

The amount of dividends paid out thus far to co-partners exceeds £200,000. Port Sunlight, the headquarters of the business, is described by Sir Stephen Collins, M. P., as "a beautiful model village, second to none in the world, with its four thousand odd of contented people, its art galleries, museums, schools, hospital and its various institutions for the uplifting of the people, with a birth rate . . . of 26.8 and a death rate of about 8.19." Sir William Lever, in describing the origin of his co-partnership idea, traces it to the necessity of moving the growing business to a country location, which involved the provision of housing for the employees, with the addition of the welfare features above noted. But it was seen that these advantages could be applied only to those immediately occupied in the industry at one spot, and did not include those who could not live near Port Sun-

light. For this reason he adopted profit sharing, as a means of reaching all the employees of the company.

He calls attention to the fact that while the average life of profit-sharing and labor co-partnership schemes, according to government reports, is five years, this plan has continued in successful operation for seven years with every prospect of permanency. It is his belief that such a scheme must not be a matter of philanthropy, but must find its justification in greater efficiency and increased prosperity of the business. To this end, the influence of the management must not be weakened, because: "When a business is run on Co-Partnership lines, there must be just the same loyalty to the Chairman, Board of Directors, and Managers of the business as before, and even more, if it is to be a success."

## AMERICAN SYSTEMS.

### EARLY DEVELOPMENT

In 1867, the Bay State Shoe and Leather Company, adopted a plan by which the employees received 25% of the net profits of the company. This plan continued in operation for a period of six years and was abandoned because the employees struck for higher wages.

#### A. S. CAMERON & COMPANY.

In 1869, A. S. Cameron & Co. of Jersey City, New Jersey, manufacturers of machinery, adopted a plan of distributing 10% of the net profits of the business among the workmen. The plan continued in operation until 1877, when the business passed into other hands on the death of Mr. Cameron.

#### BREWSTER & COMPANY.

In 1870, Brewster & Co. the New York firm of carriage builders adopted a profit sharing plan which is hereinafter described in detail.

#### PEACE DALE MANUFACTURING COMPANY.

In 1878, the Peace Dale Manufacturing Company of Peace Dale, Rhode Island, put into operation a profit sharing scheme, which continued for many years, and during a large part of which time there were no profits for the employees.

#### RAND McNALLY & COMPANY.

In 1879, Rand McNally & Company of Chicago adopted a profit sharing scheme by a distribution of stock in the company among the employees. The outline occurs in section devoted to Stock Ownership Plans.

### N. O. NELSON MANUFACTURING COMPANY.

In 1886, the N. O. Nelson Manufacturing Company, of St. Louis, Missouri, and LeClaire, Ill., adopted a plan which is still in operation, and is hereinafter described in detail.

### PROCTOR & GAMBLE COMPANY.

In 1887, Proctor & Gamble Company, of Ivorydale, Ohio, adopted a plan which as later modified, has been carried on by this company up to the present time, and is analyzed in this report.

### ANALYSES OF PRESENT METHODS.

Relatively few of the plans adopted by American employers for the purpose of giving employees an addition to their regular wages can be properly classed as profit sharing within the meaning of the definitions hereinbefore quoted.

For convenience of classification these plans have been grouped under six main heads which may be described generally as Percentage of Profits, Special Distributions, Stock Ownership, Exceptional, Abandoned and Proposed Plans.

The year in which profit sharing was begun is mentioned, where known, in the headings. The companies are arranged alphabetically in the several sections and are therefore easily to be found. Consequently, an index has not been included.

These analyses in the main have been prepared from the latest data furnished by the concerns themselves. The few exceptions, taken from newspaper accounts, are direct quotations from notices issued by the companies in question and may, therefore, be regarded as authentic. Many were omitted because press accounts were not confirmed. A few given emphasis by N. P. Gilman, are mentioned, with due credit, merely to make the record of institutions, widely commented upon, complete in this report but they may not exist at this time.

## PERCENTAGE OF PROFITS.

A large number of plans are based in a more or less indefinite way upon "percentage of profits", but in very few cases is this percentage "fixed in advance" according to the standard definition. In some instances, the percentage is determined at the end of the year after the results of the season's business are known, and in a few cases the plan is followed of reserving fixed rates of interest or dividend on capital and dividing the entire balance of surplus earnings, whatever it may be, between the stockholders and the employees.

The following analyses come within this general classification:

### AMERICAN LIGHT & TRACTION COMPANY. NEW YORK CITY.

This company controls a number of lighting and traction properties throughout the country, and several of these share profits with their employees. It is stated that none of the companies which have once introduced profit sharing has ever abandoned it, although some of them have since been sold to other interests. In the case of one company, acquired about ten years ago, a strike occurred before the property had been under the new ownership long enough to entitle the men to receive wage dividends, and therefore none was paid. In another instance, it is stated that the wages prevailing at the time the plant was acquired were higher than those paid to employees of other properties, even with a wage dividend added, and accordingly profit sharing was not established in this case. The number of employees affected by profit sharing in all the auxiliary companies where the plan is in operation is estimated at 7,000.

Mr. Emerson McMillin, formerly president of all these companies, states that the only weakness which has developed in the wage-dividend plan, in his judgment, has arisen from the local policy adopted in certain cases of

continuing dividends to the employees without change, in years when circumstances compelled a reduction in the rate paid to stockholders, the theory of all these plans being an equal percentage to both. This action, growing out of sympathetic consideration for the men, nevertheless destroyed the spirit of the plan and led the employees to regard the dividend as a part of their wages, encouraging the idea that it did not matter whether good and intelligent service were rendered or not, the bonus would be received just the same.

A wage dividend plan typical in most respects to those of all the affiliated companies is that of the Grand Rapids Gas Light Company. Since 1899 this company has paid semi-annual dividends on the wages of employees at a percentage at least equal to that declared on the company's stock for the same period. The intent was declared to be the rewarding of continuous and faithful service, and in order to participate employees must have been in the service at least 18 months preceding the payment of the extra award. The directors reserved the right to determine when, to whom and how these payments should be made, and to discontinue the plan at any time. Employees who resign or are discharged for cause do not share in the distribution for the half year. The plan at first excluded all executive officers, but several changes have been made in this respect, and at present the secretary, treasurer and general manager are entitled to participate. The wage dividends paid under this plan have ranged from 6 to 10% per annum.

There is also in effect a stock subscription plan, under which the officers and heads of departments of the American Light & Traction Company and of the auxiliary properties are enabled to purchase common stock of their respective companies at a little less than the market price, and to pay for it in quarterly installments. These payments must aggregate a sum that will equal 10% of the subscriber's annual salary, and the purchase must be completed within and extend over a period of ten years.

The company retains the stock in the subscriber's name until it is paid for in full, charging 5% interest on the unpaid balances during the purchase period. Dividends declared otherwise than in cash, such as stock dividends, if any, are retained by the company for delivery to the employee when he has completed the payments which entitle him to receive the stock subscribed for, but cash dividends are paid direct to the subscriber. It is stated that some of the beneficiaries have in this way obtained stock upon which their dividends now exceed their salaries, and that the plan is wholly successful.

**AMERICAN MANUFACTURING CONCERN.**

WOOD NOVELTIES. FALCONER, N. Y. 1916.

Ten per cent of the net earnings of the company will be divided among the employees annually, according to notices posted in December, 1915. One-third of the amount distributed will go to the foremen and two-thirds to the workingmen. The apportionment is pro rata according to the individual yearly earnings of each employee. The first payment under the plan will be on May 1, 1917, on the basis of the 1916 earnings. About 200 employees will be affected.

**THE AMERICAN ROLLING MILL COMPANY.**

MIDDLETOWN, OHIO. 1909.

This plan applies to heads of departments and all salaried employees receiving \$100 or more per month. Employees affected by this plan who are in the service of the company on July 1, the beginning of its fiscal year, with every intention of so continuing, and whose record covering their past year's work is satisfactory to the board of managing officers, are permitted to participate in the "Net Profits" of the company to the extent of a specified percentage (say, for instance, one-tenth of one per cent) the amount being fixed separately in each case in proportion to the duties and responsibilities of the position held.

By "net profits" the company means the net amount available after all fixed charges, reserve funds, depreciation and dividends or interest on Preferred Securities have been reserved or paid. Amounts due employees under this plan are payable in cash on the day preceding Thanksgiving.

#### Conditional Bonus.

All salaried employees not included in the percentage of profits plan are paid a certain percentage on yearly salaries, based on term and character of service. Term of service means continuous uninterrupted service.

All salaried employees of the company, as described above, who are in its service on July 1 of each year, whose work has been satisfactory to their superior officers, who intend to remain in the service of the company for the ensuing year, and who have been with it continuously as salaried employees for at least eighteen months and under two and one-half years, are allowed a sum equal to 5% on the amount of their salaries for the preceding year; those employed not less than two and one-half and under five years, 10%; not less than five and under ten years, 12½%; ten years or more, 15%.

The company states that the salaries are regulated after giving due consideration to term of service, responsibility of position, efficiency, loyalty and general ability shown in the discharge of duties assigned, and independent of any profit sharing plan.

#### BALLARD & BALLARD COMPANY.

FLOUR MILLERS. LOUISVILLE, KY. 1886.

Employees who have worked for the company two years begin to participate in an amount equal to 10 per cent of the net profits of the company for the previous year. They participate in this 10 per cent dividend in proportion to wages received by them. Special provision is also made for a limited number of trusted employees who receive anywhere from 1 per cent to 5 per cent of

the profits in addition to their salaries. The total distribution to employees amounts to about 46 per cent of the net profits.

There is also an arrangement whereby the salaries of the employees are automatically increased from year to year, aside from the dividend plan.

The company reports that they have never had any labor troubles of their own and that, "while their plan does not reach the rank and file, so well as it does the foremen and heads of the departments, they still regard it as a very great advantage in their friendly relations with their men. There may be a very few of the younger or more recently employed men, who do not seem to value this participation in the profits, but after a few years of service it seems to be of real value in retaining the loyalty of the men."

#### **BARCALO MANUFACTURING COMPANY.**

**BRASS AND IRON BEDS, SPRINGS, MATTRESSES, HAMMOCKS,  
ETC. BUFFALO, N. Y.**

This plan applies only to the principal employees; those who, next to the directors, are responsible for the activities of the company's affairs. They receive a percentage of all profits, and this is paid to them the last day of the year and before any of the earnings are set aside for regular dividend purposes.

Most of the 400 employees work under Taylor methods of scientific management.

**R. A. BARTLEY.**

**WHOLESALE GROCER. TOLEDO, OHIO. 1904.**

The proprietor takes the legal rate of interest on his investment in the business as his share of the profits, after deducting his living expenses and a benevolent fund. The balance of the net profit is divided equally among all employees who have been in the service one year or over. The lowest salaried man receives the same share as the highest, and in 1914 this amounted to \$626

to each employee, in addition to salary. Since 1904, profits amounting to \$158,629.07 have been divided among the employees. In 1908, no profits were divided owing to losses by fire.

#### BENOIT SYSTEM.

##### MEN'S AND BOYS' CLOTHES. MALDEN, MASS.

The company has recently adopted a plan by which all of the employees, including the janitor, share in the earnings of the store. At the end of the fiscal year 10% of the net earnings, based on wages, is divided amongst all of the employees and paid in cash.

#### BING AND BING.

##### REAL ESTATE AND CONTRACTING. NEW YORK CITY. 1914.

A profit fund, consisting of 35% of the annual net profits, is set aside each year for distribution among permanent employees such as superintendents, assistant superintendents, foremen, time-keepers and office employees. Thirty per cent of this fund is distributed in cash proportionately to the various salaries, except that in computing the allotment 10% is added to the yearly salary of each participant for every added year of his employment. The remaining 70% of the fund is divided among such of the employees and in such proportions as the firm may determine.

Only one-fourth of the share to each participant is paid in cash. The balance is placed to his credit and bears interest at 6%. The principal may not be withdrawn so long as the employee remains with the firm, but the firm may pay him the entire amount at any time, at its discretion. When an employee leaves the firm's service, the amount to his credit shall be paid him within ninety days.

The firm will submit its books to the employees to verify the computation of profits.

Plans are being considered for a profit sharing system which will include all the employees.

**J. B. BLOOD COMPANY.**

LYNN, MASS. 1909.

Three thousand so-called "profit shares" are issued by the company to its employees in such proportions as it deems advisable. These certificates entitle the owners, at the close of the year, to a proportionate share in a fund set apart by the company, equal to not less than one-fourth of the net profits of the business. The company may, at its discretion, withdraw any employee's shares, even if he remains an employee. The shares are not transferable nor is the right to receive profits assignable.

Ownership of shares ceases upon the death of an employee, or in case he leaves the company's service or is discharged, "even for justifiable cause". Employees so discharged, or the representatives of those employees who die during the year, receive a proportionate share of the profits for the portion of the year they were actually employed.

The company reserves "the full right to make such modification in the salaries of employees as it sees fit, not inconsistent with the by-laws," and "may at any time terminate the agreement and all right to share in the profits. If notice to terminate is given in any year before July 1, it shall operate as of the commencement of the profit year. If such notice is given after July 1, it shall take effect at the close of the then current year."

**BOSTON CONSOLIDATED GAS COMPANY.**

BOSTON, MASS. 1906.

By the so-called Sliding Scale Act, passed by the Massachusetts Legislature in 1906, the future divisible profits of the company are made to depend upon the price charged for gas. The standard fixed by this act is ninety cents per 1000 cubic feet of gas, with dividends to the stockholders at the rate of 7% per annum. For every reduction of five cents below ninety cents per 1,000 cubic feet the company may pay 1% additional dividend.

This act does not apply the principle of the sliding scale to employees of the company, but on July 26, 1906, the directors, adopting this principle, decided to offer to the most efficient employees over and above their regular compensation an annual share in the profits of the company, to be called a "premium." Premiums are calculated on the annual salaries or earnings at the same rate as the dividends on the stock of the company for the preceding year. In its announcement of this plan the company points out that increases in the premium rate to employees, like increases in dividends to stockholders, depend upon reductions in the price of gas, which in turn depend upon increased business and improved economies in operation. "Consequently there is a very direct relation between the collective efficiency of the employees and the percentage of the apportionment, which should result in increased effort on their part to reduce the price of gas and thus increase their proportion of the profits."

All employees who have been in the employ of the company for one year preceding July 1 of any year in which a premium is declared, are eligible to participate in the profit-sharing, provided, in each case, that the work of the employee has been, in the judgment of the heads of departments, such as to warrant participation. No deduction is made on account of sickness except for the excess above two months' absence.

A separate premium account, showing principal and interest and debit charges, is kept by the company for each employee who receives a premium. After the declaration of a premium to any employee, the amount of such premium is placed to his credit.

When the amount credited to any employee is sufficient to purchase one or more preferred shares of the capital stock of the Massachusetts Gas Companies, at the then market price, the president of the company, at his discretion, either (1) pays to the employee in cash the amount of such premium or premiums or (2) purchases one or more of said preferred shares at the then market price

for and on the account of the employee. The amount so expended is charged to the premium account of the employee; the shares so purchased are delivered to him and become his absolute property.

Any premium or premiums or portions thereof, not disposed of under the above rule, remain to the credit of the employee on the books of the company. On all such balances it pays interest at the rate of 4% per annum.

As all shares bought for employees in the above manner are their absolute property, they may sell such shares at any time. Before such sale, however, at least seven days' notice in writing must be given to the treasurer of the company on blanks furnished by it for that purpose, and if the sale does not receive the approval of the directors the employee selling may be dropped from the list of profit sharers for at least one year.

The company has on an average from 1,000 to 1,100 employees, of whom about 650 are profit sharers. From June 30, 1907, to June 30, 1915, the company apportioned to the credit of the profit sharers' account \$420,813.16, the average amount credited to each profit sharing employee's account being \$676.55, or nearly 75% of his yearly wages. The average weekly wages of these employees is \$17.41. Up to June 30, 1915, 3,516 shares of stock had been distributed to employees, the average holding being 5.36 shares, and on that date the total of cash and stock to the credit of the profit sharers was \$337,442.26.

The company states that it is the intention and desire of the directors to include as profit sharers all employees who are, in their judgment, temperate, energetic, honest, capable and efficient, but the right is reserved to fix the number who shall receive premiums in any year.

In the prospectus of 1911 describing the system, it was stated that the logical extension of the plan by which employees secure ownership in the business is to have them represented on the board of directors in order that they may have a voice in the management of the company. Ac-

cordingly the company invited the nomination on the part of the profit sharers of a representative of their own selection, as a director, with full voting powers. This invitation was accepted, and the present director is a man who has been in the employ of the company sixty-five years.

### BOURNE MILLS.

COTTON MANUFACTURE. FALL RIVER, MASS. 1889.

Every employee who continues faithfully at work during any term of six months is entitled to a share of the profits in proportion to the dividends paid to the stockholders. The employee's share is in the form of a dividend on his wages, calculated by dividing a certain percentage (not less than six nor more than twenty) of the amount paid to stockholders by the total wages of the employees entitled to share. The amount of each individual's wages is multiplied by this rate to determine his share. The directors vote every six months on the retention of the plan. The company has about 600 employees.

The plan is one of the oldest in the United States, having been in continuous duration since 1889, with the exception of the year 1904. The rate of dividend to employees has ranged from 2½% to 7%.

In May, 1915, an officer of the company stated:

"We do not claim that the plan eliminates labor troubles, but we think it tends to minimize same. This system has been very satisfactory and we think it tends to keep our employees with us for longer periods than would otherwise be the case. Although our profit sharing plan has not accomplished all that we would wish, it has certainly helped us along in the right direction."

An officer of the United Textile Workers of America expresses the opinion, based upon inquiries made, that "the employees do not appear to be carried away with the plan, there being rather too many restrictions around it in regard to their working steadily during the year, which is not always possible for a textile worker to

do, having to lay off once in a while to recuperate. I cannot say that the plan is based on a low wage, that is to say lower than that which prevails in other mills for the same class of work, although it is needless for me to say that the whole wage standard in this particular branch of industry is on a low basis. I would rather believe that the employees take this extra bit of cash given to them at the end of the year as a part of what they have really earned during the year, but comes to them in bulk at this particular time."

J. W. BUTLER PAPER COMPANY.

CHICAGO, ILL.

All profits over a return of 6 per cent on the capital stock are divided among the employees. The amount given each employee is based upon his salary, length of service, and expense incurred in maintaining his department. Employees, to participate, must have been in the service at least one year.

In 1913, \$60,000 was divided among 250 employees.

THE CHATFIELD MILLING COMPANY.

JOBBERS OF GRAIN. BAY CITY, MICH.

Distributions are made among employees varying according to the amount of the salary received by them but in no way depending upon length of service. The sum from which the distribution is made is computed after deducting all regular expenses and 5% of the capital invested, and the amount upon which the dividend is declared is the amount of actual cash invested in the business, plus the total annual pay roll.

Employees are not asked to bear any share of losses and Mr. Chatfield reports: "I do not regard the plan a perfect success, but I am so well pleased with it in a general way that I intend to continue it."

EASTMAN KODAK COMPANY.  
ROCHESTER, N. Y. 1911.

The company calls its profit sharing system a wage-dividend plan and bases it on the assumption that dividends to common shareholders up to 10 per cent are the equivalent of the employees' fixed wage, and that cash dividends in excess of that figure may be fairly considered as extraordinary. The plan therefore provides that the dividends to wage earners shall be based upon such extra cash dividends—that is, over 10 per cent—paid to shareholders.

In arriving at the proportion which shall go to the wage-earners, all the factors bearing upon the problem, including length of service, have been taken into consideration by the company and it has fixed the wage dividend at 35 per cent of the extra cash dividends paid to the holders of common stock. This is to be divided and applied on a period of five years.

To illustrate the way in which this plan works out, the years of 1911, 1912 and 1913 may be taken as examples. The extra dividends to holders of common stock amounted to 30 per cent; 35 per cent of 30 per cent is 10½ per cent; this divided by 5 is 2.1 per cent on each of five years' wages. Applying this formula, it will be seen that an employee who has worked for the company five years and has averaged \$15 per week will receive \$81.90—an amount equal to about five and one-half weeks' pay. If he has worked four years, he will receive \$65.52, and so on down to one year, in which case he will receive \$16.38. The dividends are paid on July 1, following the year in which they were earned.

Only employees who have been on the pay roll of the company for a full calendar year are considered, and continuous service only is recognized. Piece workers participate on the same basis as those receiving fixed wages or salaries.

It is a rule of the company that no one who engages labor is permitted, in fixing wages, to take into account

any wage-dividends which may be or have been received by the employee.

The payments to the employees under this plan have averaged about \$500,000 a year. It is announced that the dividend in 1916 will, however, mount up to \$1,000,000, and that about 8,000 of the 11,000 employees will participate. This is on the basis of a 17½ per cent dividend to employees of five years' standing, equivalent to nearly nine weeks' salary. For employees not more than one year in the service the dividend will be 3½ per cent.

EDISON ELECTRIC ILLUMINATING COMPANY OF BROOKLYN.  
BROOKLYN, N. Y. 1910.

To those employees who have been in the company's service for two years, a percentage of their salary is given each year equivalent to one-fourth of the rate of dividends paid on the capital stock; to those in the service three years, a percentage equivalent to one-half the rate of dividends; to those in the service four years a percentage equivalent to three-fourths of the rate of dividends; and to those in the service five years a percentage equivalent to the full dividend rate. This money is deposited in the Brooklyn Edison Investment Fund to the credit of the employees benefited. The investment fund is used to buy stocks and bonds of the Kings County Electric Light and Power Company and the Edison Electric Illuminating Company of Brooklyn.

Dividends are declared out of the earnings of the investment fund and the employees participating may withdraw these dividends or have them credited. The sums credited to the employees in the fund itself, however, cannot be withdrawn within three years except to make payments upon the purchase of a home or because of death of the employee, or unusual necessity in the opinion of the committee in charge of the fund. Employees who are discharged for misconduct, or who leave the company's service without giving one month's notice, or who become

insolvent, or who attempt to sell or encumber their interest in the fund without permission, forfeit all title to the sums credited to them in the fund.

The committee in charge may, at its discretion, withhold a part or all of the profit to which an employee might otherwise be entitled.

After three successive annual sums have been credited to an employee, he may, if he desires, take out stock in the company to the amount of his credit for the first two years of the three-year period.

Employees may make regular deposits in the investment fund, in addition to their profit sharing credits, and may withdraw such deposits at will.

At the close of 1914 there were 1,080 individual accounts in the fund, and 109 employees owned 773 shares of stock outright. Out of the 1,745 employees of the company, 1,381 had savings invested in the fund, and of these 721 had authorized weekly deductions from wages as deposits in the fund. The sum of \$256,819.74 had been deposited in the fund through profit sharing, \$370,379.37 through deposits of employees, and \$41,450.12 through dividends earned.

The company considers the plan to have been a success.

#### EMPIRE TRUST COMPANY.

NEW YORK CITY.

A certain percentage of net profits of the company, which percentage rises with an increase of profits of the company upon a fixed ratio, is divided among the employees yearly upon the basis of salary received, length of service and special merit, as measured by standards fixed from time to time by the officers.

The company reports: "The plan is well received and we believe tends directly to promote efficiency and stimulate endeavor."

**FARR ALPACA COMPANY.**

**MANUFACTURERS OF PURE ALPACA AND MOHAIR LUSTRES.  
HOLYOKE, MASS. 1914.**

Employees who render satisfactory and continuous service for twelve months receive a dividend on their year's wages at the same rate that is paid shareholders on their stock. This, at present, is 8%. The company has 3,000 employees and the annual wage roll is about \$1,800,000. The amount forfeited by the discharge of an employee, or by his leaving voluntarily, or by his exclusion on account of unsatisfactory service, is credited to a benefit fund out of which the directors of the company may grant assistance to aged or disabled employees.

In its announcement to employees, the company says: "This system of profit sharing is not offered as a substitute for normal advances in wages when conditions warrant." In January 1915, after the plan had been in operation one year, a committee of employees presented a testimonial to the meeting of stockholders, expressive of their appreciation of the plan and its administration. In January, 1916, the directors voted to continue the plan another two years.

**GENERAL ASPHALT COMPANY.**

CAMDEN, N. J. 1916.

This company has announced a profit sharing and pension plan for employees of the company and its subsidiaries.

The profit-sharing distribution will be made to all officers and employees receiving a salary of \$60 or more a month, and who shall have been continuously in the company's employ for one year or more prior to the expiration of the fiscal year ending January 31, 1917. The rate of distribution will be 1% of the salary of each employee for each \$100,000 of net gain to surplus in the fiscal year ending January 31, 1917, over and above the amount required for the 5% dividend on the preferred stock.

**GENERAL ICE DELIVERY COMPANY.**

DETROIT, MICH. 1909.

Five per cent of the annual net earnings of the company is distributed among the employees who have been with the company long enough to have earned a promotion.

In July, 1915, the president of the company, said:

"Our profit-sharing plan—5% of the profits every year—ensures the receipt of something by our men if there are dividends. It therefore has a permanency which some other plans do not possess. The only shortcoming is the fact that some men receive profits who really are not worthy, but the men in our organization soon find that out and it has a wholesome effect upon those who are not really entitled to consideration."

The total annual distribution, exclusive of commissions to wagon men, has increased from about \$2,000 to \$7,500. The company regards the plan as "a complete success and of a very permanent nature."

**HOLLENBERG MUSIC COMPANY.**

LITTLE ROCK, ARK.

All employees receive at Christmas time the same profit upon their yearly salary as is the percentage of profit on the capital and surplus of the company.

The first year the employees receive 50% of the amount due them in cash and the remaining 50% the company keeps until the following year. The second year continues in the same way, retaining half that is due. This the company states is "to insure continuance of employees."

If an employee resigns or is discharged for any purpose whatsoever, his interest in the profit participating plan ceases.

The company was forced to pass the dividend in 1914. In preceding years it reached as high as  $11\frac{1}{2}\%$ .

## HOUGHTON MIFFLIN COMPANY.

BOSTON, MASS. 1872.

The company maintains a Savings Department, for the benefit of the employees, in which deposits can be made at any time in any sum up to \$1,000. Whenever on the first of January of any year the deposits of any depositor equal or exceed \$100 and remain one year thereafter, the company agrees to pay to such depositor a portion of the annual profits not exceeding 4% additional on each \$100.

The number of depositors averages from one-third to one-half of the company's 1,000 employees. The company reports that the system has worked well for all purposes, has bred habits of care and economy and created a cordial feeling between it and the employees. This is one of the oldest profit-sharing plans in the United States.

## THE HUB.

CLOTHING HOUSE. CHICAGO, ILL. 1891.

A percentage of the profits is distributed among employees who have been with the company two years or more, the rate increasing with each year of employment and the amounts ranging from \$15. to \$500. The store employs about 700 people.

## THE KAYNEE COMPANY.

BOYS' AND YOUTHS' SHIRTS, CHILDREN'S WASH DRESSES.  
CLEVELAND, OHIO. 1915.

The executives and the heads of some of the departments receive a distribution based on the quality and length of service rendered.

Employees included in the plan receive from the company certificates entitling them to an amount equal to a dividend on a certain number of shares of common stock, the number of shares being stated in the certificate. The rights under the certificate are purely personal and not transferable.

The company has between 500 and 600 employees and less than 25 participated in the 1915 distribution. The company states: "Our problem arises from the fact that 90 per cent of our employees are women whose average length of employment is from two to three years. It is the constant shifting in and out that makes most of the plans we have heard of inoperative."

THE KEYSTONE DRILLER COMPANY.

BEAVER FALLS, PA. 1906.

This plan has also savings and stock subscription features.

Employees may deposit on pay day any amounts they desire, which immediately begin to draw interest. After the expiration of six months, if the owners so desire, the deposits become profit-sharing accounts upon an equality with invested capital. The company, however, guarantees that the profit shall never be less than 6 per cent. Deposits may be withdrawn on any regular pay day.

Profit-sharing certificates amounting to \$50 or over may at any time be exchanged for regular corporation stock at par.

Employees cannot hold profit-sharing certificates in excess of \$1,000; but if, having reached this amount, the certificates are exchanged for corporation stock, the employees begin deposits anew. Ownership of profit-sharing certificates of \$50 or over entitles the owner to preference of employment as vacancies may occur, but "in case the owner joins in any hostile strike against the company, profit sharing or interest, as the case may be, shall immediately and permanently cease."

The company reports that the plan has established a community of interest, raised the efficiency of the workmen, eliminated floaters and reduced strikes.

KUTZTOWN FOUNDRY AND MACHINE COMPANY.

PHILADELPHIA, PA. 1914.

A part of the net profits is distributed among the em-

ployees in proportion to their salaries or wages, the total amount being determined by the executive committee after a dividend has been declared of not more than 8 per cent on the capital stock.

Payments are made quarterly to employees who remain in the service continuously during that quarter, but those dismissed for lack of work are allowed their proportionate share on whatever wages they have earned.

Employees receive their profits through their departments and the allotment of a department is reduced by the amount of any expense incurred by the company to replace defective workmanship and materials caused by the carelessness of the employees in the department.

#### MILMORE CORPORATION.

MANUFACTURING CHEMISTS. SOUTH BEND, IND. 1915.

Whenever a dividend is paid to stockholders, a sum equal to the dividend is credited to an employees' special account, out of which account employees are to be paid an annual bonus equal to 6 per cent of their yearly wages. An additional one-half of 1 per cent of their wages is paid for each year of the first five years of service, 1 per cent for each year of the second five years of service and so on. No employee participates who has not been in the employ of the company for three consecutive years.

The resolution of the board of directors by which the plan was adopted described it as a unique profit-sharing plan and states "that the relative value of a stockholder and employee shall be considered equal and each and every dollar earned by the corporation and passed to surplus account shall be held for the joint account of both the stockholders and employees."

The plan does not bear out this statement.

THE NATIONAL BANK OF COMMERCE IN ST. LOUIS.

ST. LOUIS, MO. 1900.

At the end of each year the net earnings of the bank are ascertained and after deducting losses and a sum

equal to 6 per cent of the capital, surplus and undivided profits, 6 per cent of the remaining net profits is set aside for an employees' pension fund, and 4 per cent for an employees' participation fund. The participation fund is distributed in cash at the end of each year among the officers and employees in proportion to their salaries. The board of directors reserves the right at any time to discontinue the appropriations.

**NORRITON WOOLEN MILLS.**

(J. MORTON BROWN & CO., PROPRIETORS) NORRISTOWN,  
PA., 1887.

Percentage of profits, according to length of service, by agreement. Company enthusiastic at the time of publication by N. P. Gilman (1889).

**THE OUTLOOK COMPANY.**

NEW YORK CITY. 1901.

When the profits on the company's business have been determined at the end of the fiscal year, a certain percentage is paid to employees,—the distribution being based on a certain percentage of each individual's wage or salary. The average number participating has been about sixty, in a total average force of about seventy.

The company reports: "We believe that this plan has proved a success in every way. It is greatly appreciated by all our employees, and we believe has increased their individual loyalty and efficiency."

**PENINSULAR PAPER COMPANY.**

YPSILANTI, MICH. 1914.

The employees are eligible who have been with the company for one year and whose services are satisfactory. These employees receive a wage dividend on the actual year's wages, reckoned at the same percentage as the shareholders of the company receive in dividends on their stock.

Employees who are discharged or whose services are unsatisfactory lose all claim to share in the profits, and the amount which is thus forfeited to the company is credited to a benefit fund for aged and disabled employees. The company states that the object of the plan is to lead the employees "to exercise the greatest possible care to guard against poor work and waste of time and material."

RECORD AUTO SUPPLY AND SERVICE COMPANY.

WASHINGTON, D. C. 1916.

Ten per cent of the net profits of the company will be divided in cash among the employees in proportion to the average wages earned during any given profit sharing period. All employees, including heads of departments, are entitled to participate. The company states:

"This plan has been put in operation since the first of this year, and succeeded a plan under which commissions were paid to the men on all productive work done by them above a certain amount per week. We believe that the plan which we are now following will give better results from an employee's standpoint as well as the employer's. In the case of the employee's standpoint it stimulates him to do better work and thereby increase in salary for the larger his salary the greater the extent to which he will participate in the distribution of this ten per cent net earnings of the company. From the employer's standpoint it means that the help will become more efficient and give better service to the patrons of the concern."

In practice each employee is entitled to one point for each dollar of his weekly salary. Thus an employee earning \$20 a week is entitled to 20 points, while one earning \$25 is credited with 25 points. Should an employee's salary be advanced during the profit-sharing period, an average of his weekly rate during the profit-sharing period is taken and the average weekly salary in

dollars determines the number of profit-sharing points credited to him.

R. F. SIMMONS COMPANY.

MANUFACTURING JEWELERS. ATTLEBORO, MASS. 1902.

The employees who have rendered faithful service for at least three consecutive months are permitted to participate in the profit-sharing fund, which is determined as follows:

Not less than 8 per cent nor more than 12 per cent of the dividend paid the stockholders is divided by the total amount of wages paid all employees. The percentage thus obtained constitutes the rate of dividend to the employee upon his salary for the year. Employees desiring to participate are required to sign a card agreeing, among other things, "to be on the pay roll three consecutive months and not to leave our employ voluntarily, or to be discharged for incompetency, or disobedience of orders."

The company reports that there has been produced a greater spirit of co-operation between the employer and the employee but that from the nature of their business they have been able to make no tangible estimate of the increased profits. With the adoption of the plan the Christmas distribution of the two previous years was discontinued.

SIMPLEX WIRE CABLE COMPANY.

BOSTON, MASS. 1901.

A definite percentage of each year's profits is divided among employees who have been with the company at least one year and whose services are satisfactory. This percentage is fixed in advance but is not publicly announced, for reasons of general business policy. The eligible employees share in proportion to their wages earned during the year, but not more than 20 per cent will be paid under any circumstances. Since the dividends are not payable until March of the year following

that in which they are earned, the employee must have been in the service 26 months before receiving his first actual payment.

The dividends paid have ranged from 7 to 18½ per cent on the wages earned. The employees number about 550, a large proportion of whom are not in the company's employ a sufficient length of time to share in the profit distribution.

The president of the company states that the payment of the dividends in a lump sum annually has the effect in most cases of inducing employees to save or to invest the money in permanent home improvements. As to the general results of the plan, he says:

“Our profit sharing was started not as a charity but as a business move, and after twelve years' experience we are convinced that it has contributed to our financial welfare as well as to our satisfaction in the conduct of the business.”

#### THE SPENCER WIRE COMPANY.

IRON AND STEEL WIRE. WORCESTER, MASS. 1915.

This plan is identical with that of the Farr Alpaca Company excepting the rate of dividends paid, which at present is 6 per cent. All of the company's 750 employees are affected. In its announcement to the employees of the adoption of the plan, the company states that it is intended to encourage increased production and avoid frequent changes in the force; and that it is hoped the profits will be increased by the employees taking a personal interest in the continued success of the business.

#### STAMBAUGH-THOMPSON COMPANY.

WHOLESALE HARDWARE DEALERS. YOUNGSTOWN, OHIO.  
1913.

Out of the net profits remaining at the end of the fiscal year there are first deducted fixed amounts representing a fair return on the capital invested in the busi-

ness. One-half of the balance remaining after such deduction is distributed in cash among all the employees in proportion to their wages as shown by the pay roll. About 100 employees participate.

The term "profits" as used by the Board of Directors in establishing the system, means "all profits which the employees, by their services, help to create, but does not include profits which accrue without any effort on their part, such as profits on the sale of real estate, stocks or bonds owned by the company, whether of this or other corporations, nor does it include rent from lands or buildings owned but not used by the company in its business."

The company states that it considers the plan a success.

BERNHARD STERN & SONS.

FLOUR MILLERS. MILWAUKEE, WIS. 1914.

At the end of the fiscal year, on Sept. 1, a certain definite percentage of the net profits is placed to the credit of a fund known as the Employees' Profit Sharing Fund.

On Nov. 1, all employees who have been in the firm's employ one year (except those in the selling department) participate in such proportion as each employee's wages or salary for the preceding year shall bear to the entire amount paid for wages and salaries during that period to such employees. Of the 86 employees of the firm, about 65 participate.

The firm considers the plan a success. In announcing it to their employees, the objects were explained as follows:

"The purpose of the Employees' Profit Sharing Fund is not alone to enable each employee to share in a proportion of the net profits earned by the firm, but also to be an additional incentive for each employee to give the maximum of service to the firm. Each and every employee, no matter what his duties may be, can, through his own effort, aid and assist

in a greater return net profits to the firm, and it is hoped that each employee will keep this constantly in mind, and endeavor co-operate with the heads of departments and the members of the firm, in realizing the largest return possible in our mutual endeavor."

### STUDEBAKER CORPORATION.

SOUTH BEND, IND. 1913.

The employees who share in the profits include only executive officers, important clerks and foremen. These are divided into four groups, the more important employees receiving a greater percentage.

The profit sharing fund is estimated as follows:

Out of the net profits 7 per cent is paid upon the Preferred Stock; 5 per cent upon the Common Stock, and certain sum is set aside for the special surplus account for the amortization of the Preferred Stock. Then 12 per cent of the balance of the profits remaining up to \$1,000,000; 14 per cent of such balance in excess of \$1,000,000 and up to \$2,000,000, and 15 per cent of such excess over \$2,000,000 constitute the profit sharing fund. Payments to the first three classes are made in 50 per cent Common Stock and 50 per cent cash, while payments to the fourth class, which includes the foremen, chief clerks, etc., are made in cash only.

The stock is delivered in instalments, 25 per cent after the first year, 25 per cent after the second year and 50 per cent after the third year. Any dividends accruing are promptly paid the participants. Employees who resign during the year lose all right to share in the profits of that year, and forfeit to the company 20 per cent of the Common stock held for their account from the bonus of the previous year.

The company reports "We find it very satisfactory."

**THE W. S. TYLER COMPANY.**

**MANUFACTURERS OF WIRE CLOTH AND MINING SCREEN.  
CLEVELAND, OHIO. 1915.**

After 6 per cent has been paid on the capital stock, all cash dividends are divided between the stockholders and employees as follows:

- (1) Employees in the service of the company for three years or more receive same percentage as do stockholders.
- (2) Employees in the service for two years but less than three years, two-thirds of the rate of cash dividends.
- (3) Employees in the service for six months but less than two years, one-third of the rate of cash dividends.

Dividends apply to all employees and are based on the total amount of wages paid to each employee. Employees discharged, or leaving the company's service voluntarily, forfeit their right to share in any dividends, but those laid off for lack of work share in proportion to the wages they have actually earned.

**UNION SAVINGS BANK AND TRUST COMPANY.**

CINCINNATI, OHIO.

A certain percentage of the company's profits above 6% on the capital stock is set aside for distribution among the employees who have been in the company's service three years or more.

The company retains charge of the accumulation of this fund, allowing a liberal rate of interest, and permits an employee to withdraw his portion only when he desires to leave the company's service, or when the amount withdrawn is to be used for investment in a home or in some security approved by the company. Such securities are kept in its custody.

The company at first made this profit sharing distribution directly to its employees but found this to be a failure and resorted to the plan now in use. It is the belief of the management "that each of our employees receives fully the same regular salary that our competitors

would give him" and that "he gives us better service than he would our competitor, as an automatic result of our profit sharing plan." The average distribution per year is estimated at between \$300 and \$400 per employee.

UNITED ELECTRIC LIGHT & WATER COMPANY.

HARTFORD, CONN. 1916.

Announcement of a "Salary Dividend and Welfare Plan" to be maintained by this company was reported on February 29. It is stated that 5 per cent of the net income of the company, before payment of dividends, will be set aside quarterly for the purposes of this plan, and that the distribution will apply to all employees who have been with the company one year or more.

The eligible employees are grouped according to length of service—Class "A" including all who have been with the company two years or more, and Class "B", those employed from one to two years.

One-half the amount set aside for the salary dividends will be distributed quarterly in proportion to the wages of the recipients for the three months, and the other half is held in a "welfare fund" for the benefit of the employees. It is understood that whenever the welfare fund reaches a certain amount, the income from the investment will be distributed pro rata among the eligible employees, and that those who leave the company's service with good records will be paid their proportionate share in this accumulated fund. Employees in temporary financial need may borrow from this welfare fund, which is maintained by a board of trustees at the expense of the company.

THE WARD BAKING COMPANY.

NEW YORK CITY. 1913.

After the payment of regular dividends to stockholders, 6% of the net profits is set apart for the Employees' Profit Sharing Fund.

All employees who have been with the company one full year and who are members of the Ward Baking Com-

pany Beneficial Association (except directors, officers and managers of bakeries) are eligible to participate in the fund. The interest of each participating employee bears the same proportion to the entire fund as his salary at the time when the fund for that year is created bears to the aggregate salaries of all the employees.

When conditions warrant, 10% is added to the share of each employee for each additional year's service with the company.

The dividends to employees are paid in cash but they "are invited to invest their dividend, together with any other savings which they may have accumulated, in the stock of the company," and to those who elect to do this favorable terms of investment are offered.

After two years' trial, the plan has worked out so that the share of profits received by employees equals 2% of their annual wages. More than 80% of the employees are members of the Beneficial Association, and eligible to share in the profits.

#### WAYNE KNITTING MILLS.

MANUFACTURERS OF HOSIERY. FORT WAYNE, IND. 1904.

The company organized a "Textile Industrial Club" composed of heads of departments and certain officials with a membership of about fifty. A fixed percentage of the company's profits over and above the regular dividends was set aside as a club fund and a portion of this was used to build a clubhouse. From this fund also, payments in the nature of profit sharing are made to the members on a percentage basis, and small bonuses of from \$5 to \$50 are distributed among several hundred other employees, not piece workers, at the end of the year, as a matter of good will.

Social affairs of the textile club are managed by committees chosen by the members, while matters of a business nature are handled by the company. A member who fails to attend three consecutive meetings of the club,

without excuse is expelled and ceases to share in the profits.

### SPECIAL DISTRIBUTIONS.

Forms of voluntary special distribution are very numerous. They are of interest mainly as reflecting the attitude of a large number of employers. In many cases there is a genuine desire to do something more than the wage-scale requires; in others, there may be, and no doubt sometimes is, the ulterior motive of heading off demands from the employees. These gratuities cover a wide range, from the petty to the substantial, such as the following:

Outright cash payments at the end of the year, determined arbitrarily by the employer at the time.

Relief funds maintained wholly or in part by the employer, including sickness, accident, death and pension allowances.

Liberal interest allowed to employees on savings deposited with the company.

Meritorious rewards for prompt attendance or efficient work, or for refraining from use of tobacco or liquor.

Premiums on life insurance policies paid by firm, based on term of service or efficiency.

Plan for lending to employees without interest or at nominal rate.

Discounts on household goods or necessities sold to employees.

Christmas or Thanksgiving remembrances.

Prizes for suggestions and gardens.

Free transportation for employees on steam and electric railroads.

Lunches supplied to employees free of charge or at nominal prices.

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The following are typical plans under this classification:

**L. & S. ADLER.**

**MANUFACTURERS OF RAINCOATS AND OVERCOATS.  
BALTIMORE, MD. 1914.**

Payments are made to the employees in all ranks based upon integrity and conscientiousness of work, efficiency, length of service and individual effort to eliminate waste.

Amount distributed depends each year upon the total profits earned.

**THE ALEXANDER HAMILTON INSTITUTE.**

**NEW YORK CITY.**

All employees who have been in the service of the Institute one year or more are given a bonus of 5 per cent on their annual salaries. The distribution is made at the holiday season.

**AMERICAN STEEL PACKAGE COMPANY.**

**MANUFACTURERS OF STEEL BARRELS AND CASES.  
DEFIANCE, OHIO. 1914.**

Each employee gets a bonus computed at  $2\frac{1}{2}$  per cent per hour for every hour he has worked continuously since the plan was put in operation. Deductions are made for lateness. Cash distribution is also made to foremen and office help. At the end of the first six months 211 men received a bonus, 102 of whom were paid from \$30 to \$35.

**ANCHOR POST IRON WORKS.**

**GARWOOD, N. J. 1911.**

(Statement by the President, H. G. Thomson. New York, Feb. 29, 1916.)

We are a manufacturing corporation, our factory being at Garwood, New Jersey, and in addition to our shop men, we employ an equal or larger force of workmen outside the factory for the setting up of our fences, railings and gates, 150 in all.

The company has had for a number of years a profit-sharing arrangement, only including, however, about a half dozen of the chief executives or department heads, and three of our branch managers in Boston, Hartford and Philadelphia.

Our profit-sharing plan is for cash distribution at the end of each year, based on salary and the net profits of the preceding year.

We regard it as successful as far as it goes. We are inclined to think, however, that it is too narrow in its scope and should be modified so as to include more individuals than now participate.

I have always been of the opinion that profit-sharing which included workmen and mechanics, either inside the factory or outside, was not a very satisfactory arrangement from the employer's point of view; that the real way of paying extra wages, if that is desirable, should be in the shape of a bonus on work actually performed over and above the average daily output, provided that can be easily and quickly computed; that the deferred profit-sharing, as far as workmen are concerned, is very likely to create a feeling of discontent whenever the profits, as they sometimes do, fall below those of previous years.

We do feel, however, that something of advantage could be worked out to include practically all of our office force and factory heads, who are, of course, in very much closer touch with the trend of the business from month to month, and are, we think, of unusually high order and intelligence, loyalty and faithfulness to the interests of the firm.

We have a committee of our board of directors investigating this whole question. The question is so complicated and has so many pros and cons that I am very much in doubt at the present time as to what method, if any, would be desirable.

As I look at the matter, if profit sharing is desirable at all, it should not be on a fixed percentage for all based

on the amount of salary each is receiving, but that rather there should be two, three or four classes of employees each receiving a different rate of bonus. In other words, the executive or department heads, who are in a large measure responsible for the success of the business, should be in a group by themselves as we now have it, and should receive a larger degree of bonus than the others. If this group of employees is the right one, an office boy, for example, would be in the lowest class. If by energy and intelligence he was promoted to be a salesman, he would then step up into a higher class, where the year's division of profits would be more attractive. If from that, he became a sales manager or head of a branch office, he would be promoted in a still higher class, and finally if he became a director of the company, he would be in the highest class of all.

The stock in our company is only held in the hands of a few individuals, and we have never had any general distribution of it, although we might do that at some later day. I do not believe in a concern selling its stock to its employees, unless possibly it be a company like the United States Steel, where the stock is largely in the hands of the public, is traded in from day to day and has a definite value from day to day.

#### **ATHERTON FURNITURE COMPANY.**

BROCKTON, MASS. 1914.

Beginning with the year 1914, the company gave each employee who had been in its employ for one year or more a cash bonus of 2 per cent of his yearly salary.

The company continued the plan for the year 1915.

#### **ATLAS POWDER COMPANY.**

**EXPLOSIVES. WILMINGTON, DELA. 1913.**

Employees who have been in the service of the company at least two years who contribute in an unusual degree to the welfare of the company by their inventions, ability, industry or loyalty, and whom, in the opinion of

the directors, it is desirable to have interested in the business as stockholders, are granted a bonus consisting of stock of the company, the amount of which is determined by the directors and shall not in any one year be greater than one-half of the annual salary of the employee to whom the award is made. The certificate for the number of shares thus allotted is not delivered to the employee but is held by the bonus trustee together with a power of attorney transferring the employee's interest in the stock of the company. The certificate and power of attorney are held for six years, at the expiration of which time the stock is delivered to the employee and the power of attorney cancelled. If the employee leaves or is dismissed from the service of the company, he is entitled to receive only that proportion of the stock which the elapsed portion of the six years bears to the full period of six years, and the proportion which the employee is entitled to receive may be purchased by the company at par. Beneficiaries receive all dividends declared on the stock allotted to them.

In addition to the stock distribution, employees who do their work in a careful, workmanlike and satisfactory manner, obey orders and carefully observe the rules and who have been in the continual service for at least two years, receive a monthly cash payment in addition to wages, as follows: Continuous service for two years, 5 per cent of regular pay; for five years, 10 per cent; for ten years, 15 per cent; for fifteen years, 20 per cent.

There is also a stock subscription plan, adopted in 1915. Employees may subscribe for stock of the company at par, the total amount of the subscription depending upon their salaries, *i. e.*, employees receiving an annual salary of \$1,000 or less, 20 per cent of salary; over \$1,000 and not over \$2,000, 15 per cent; over \$2,000 and not over \$5,000, 10 per cent; over \$5,000, 8 per cent. Stock may be paid for outright or in monthly installments at not less than \$2.00 per share per month, deducted from salaries or wages. Subscribers receive

all dividends and are charged 5 per cent on unpaid balances. Employees who have paid for their stock and who retain it and remain in the company's employ, will receive a bonus of \$2 per share for five years.

In 1913, 87 employees were stockholders, constituting 11.5 per cent of the total number of stockholders, and in 1914, 173 employees held stock constituting 21.5 per cent of the total number of stockholders.

#### **ATLAS UNDERWEAR COMPANY.**

RICHMOND, INDIANA. 1916.

The company announced in January that bonuses amounting to nearly \$10,000 would be paid to the employees who remained with the company until December 15, 1916. The distribution per employee will be between \$12 and \$13. Persons entering the employ of the company after February 1 will receive, on December 15, \$1 for each month they have been in service. In addition, special cash prizes will be given as rewards for faithful attendance, punctuality and service.

#### **WALTER BAKER & COMPANY, LTD.**

MANUFACTURERS CHOCOLATE AND COCOA PREPARATIONS.  
BOSTON, MASS. 1904.

Employees having served one full year, are given a bonus of 5% of their earnings; those who have served over that time receive 10%. This distribution is made upon the vote of the directors at the end of each year and depends upon the profitable outcome of the year's business.

In 1914 the company had 650 employees.

#### **BEECH-NUT PACKING COMPANY.**

PURE FOOD PRODUCTS. CANAJOHARIE, N. Y. 1912.

The company pays to each employee who has been in its employ for at least one year \$3 for every year of service. The bonus is paid in cash about the holiday

period. Of the total force of 776, in 1914, 422 shared in the distribution.

BEMIS BROS. BAG COMPANY.

ST. LOUIS, MO. 1912.

All officials getting a salary above the average are given a bonus depending directly upon the amount of the annual salary paid and amount of common dividend declared by the company.

The second plan applies to all other employees of the company, and ranges from 2% for one to two years' service to 20% for over ten years' service.

It was inaugurated to encourage faithful, efficient work, and under it each year a premium is paid based upon the amount of wages and dependent upon the length of faithful, efficient, continuous service.

The company reports that the plan has not been an unqualified success for the following reasons:

1. From an economic point of view, it has given too great a premium to the older employees after passing the time when their efficiency can be increased or maintained.

2. On account of the very short length of time during which in these days most of the younger women work, it does not seem to provide the incentive to the less experienced hands which had been expected.

A modification of the plan to meet these deficiencies is under consideration.

BLOUNT PLOW WORKS.

EVANSVILLE, INDIANA.

There is a cash distribution, determined annually by the board of directors, applying purely to the rank and file—the factory operatives. It is based in part upon wages, in part upon efficiency, and in part upon loyalty; discretion in this matter is vested in the management. An official of the company states that this plan "is apt to be of far less value than might be desired" \* \* \*. An

amount once designated as their share in the profits, it has been found, can never be diminished."

There is also a plan in the nature of a stock division, applying to the executive and sales departments. Capital stock of the company to the amount of \$30,000 is held in trust for the benefit of the incumbents of certain offices. The legal title only is held by the trustees, the beneficiaries receiving every other privilege and benefit to be derived from the ownership of the stock.

The plan of holding this entire amount of stock in trust was adopted first because it retained the stock in the company, and obviated the necessity of frequent transfers of stock on the books when promotions were made.

The company states that: "The stock division plan is one calculated to appeal to the intelligence of the executive branches of our business and we have reason to believe that it will prove successful in its effort to give the salaried man a taste of the stockholder's point of view."

#### THE BOARDWALK NATIONAL BANK.

ATLANTIC CITY, N. J. 1914.

A cash distribution is made to employees, varying according to their salaries, of 10% of the increase in the yearly profits of the firm.

#### BORDEN'S CONDENSED MILK COMPANY.

NEW YORK CITY. 1912.

For the benefit chiefly of the principal or supervising employees of the company, a profit sharing plan was put in operation in 1912, based upon the year's record of each plant and upon the net earnings of the business. A fair average standard of cost and product was established, after a study of comparative results of operation for a period of years, and the eligible employees in any factory which comes up to this standard in any year are included in the profit sharing distribution for that year.

Certain outside employees such as stablemen and wagon drivers are not included at present, and the plan does not apply to salesmen and other employees who are working under a system of commissions which enables them to increase their earnings above regular salaries.

The distribution is made if, in the judgment of the directors, the net earnings are sufficient to warrant it after payment of all fixed charges and dividends on the company's stock. In some years the wage dividend has been 8 per cent, and in one year 9 per cent. In one year, owing to business conditions, no profit payments to labor were made, and an official of the company states that this caused a certain amount of dissatisfaction, although he believes that the terms and conditions of the plan are well understood by the rank and file, and that the falling off in salesmen's commission earnings in that year, due to the same causes, made it clear to the other employees that no discrimination was involved in the temporary suspension of profit sharing.

Employees are permitted to apply the money they receive in profit sharing to the purchase of stock of the company at par, if they so desire. Provision is also made whereby employees may purchase stock of the company at the current market price under a plan of subscription and partial payments. The details of this plan are handled through an employees' investment association, which elects its own officers and conducts its own affairs, with the co-operation of the company.

There are about 10,000 employees of the company, of whom approximately 860 participate at present in the profit-sharing distribution. The management is not yet fully satisfied as to the merits of profit sharing in theory or in practice, but expects to continue the experiment with the idea of modifying or expanding it as experience may suggest.

**BOTANY WORSTED MILLS.**

PASSAIC, N. J. 1915.

In December, 1915, a distribution of about \$31,000 among the employees was reported, those in the service five years receiving \$10; ten years, \$25; fifteen years, \$50; and twenty years or more, \$100. It is understood that about one hundred men received the maximum of \$100 each. It is not stated whether a similar distribution is to be made each year.

**BOWSER TANK AND PUMP WORKS.**

FORT WAYNE, IND. 1915.

The company had used a premium system, based on individual time saving, but found it not an unqualified success, and in November, 1915, replaced it with a dividend plan based on the collective efficiency of the entire manufacturing department. The factory employees, consisting of about 550 men, will be paid monthly a bonus in proportion to their wages. The plan also includes a reduction in the working day from 9 to 8½ hours with no reduction in the day's pay.

**THE J. G. BRILL COMPANY.**

**MANUFACTURERS OF RAILWAY CARS, TRUCKS, ETC.**  
PHILADELPHIA, PA.

A cash bonus is given at Christmas time to all employees in the service of the company more than twenty-five years. Rewards are also given to faithful employees for efficient work, at the discretion of the management. Preferred and common stock of the company is sold at a fixed price to employees desiring to purchase.

**BROADALBIN KNITTING COMPANY.**

BROADALBIN, N. Y. 1916.

On January 6, 1916, the employees received a dividend of 5% on wages earned during the month of December. The company announced that similar dividends will be paid for the first six months and the last six months of

1916, respectively, to all employees who shall have been in the service continuously during the periods named, unless laid off for lack of work or prevented by illness or other good reason.

In order to share in this distribution employees must be "diligent in their work and show by their energy and conduct that they are doing their part to make the business a success." The company states that if this scheme results in an increased production of well-made goods it will be continued, dependent upon the earnings of the business. It is understood that an expenditure of about \$5,000 for 1916 is involved.

#### BUILDERS' IRON FOUNDRY.

PROVIDENCE, R. I.

This company has in effect a plan whereby officers and leading employees may purchase debenture certificates in the nature of profit-sharing. Interest is paid on these certificates at the same rate as the dividends on the company's stock, but not less than 6% in any event. Payment for the certificates is made in part by the subscriber and in part by contributions by the company, after the first two years, in proportion to the annual increase in its surplus. The subscriber acquires no rights as a partner or stockholder nor does he become liable for any debts or obligations of the company.

An officer of the company states that he has at times considered the idea of allowing the employees to appoint a representative to be consulted by the directors in regard to matters chiefly affected by the attitude of the men, but that this has not been done because of the following practical disadvantages:

"The man often times does not appreciate that what is shown him should be confidential, and he sometimes feels it his duty to report to the men, and they feel they have the right to question him minutely about everything. They are soon, if anything, more suspicious of him than of us. He also is apt to be a man unacquainted with business and in-

clined to think profits are very much larger than they really are and that he is being deceived. If it is a Union shop there is danger that he is really appointed by the Union and that whatever he does may be a move in play for business if nothing more on their part. We have tried, as a rule, to make the foremen feel that they must represent the men in all conferences with us, and we have endeavored to make the men feel that the foremen do so act."

**BY-PRODUCTS COKE CORPORATION.**

SYRACUSE, N. Y.

The plan of this company is similar to that of the Solvay Process Company, the two corporations being very closely allied.

**SAMUEL CABOT INC.**

**MANUFACTURING CHEMISTS. BOSTON, MASS. 1886.**

A certain share of the profits, not stated in advance, is set aside every six months for division among employees in proportion to their earnings. All employees who have been with the company six months, and who sign the profit sharing agreement, are eligible. This agreement defines the conditions of the distribution, and specifies that any employee who is discharged or leaves the service in bad standing forfeits his share, which is divided among the other shareholders. An employee who gives sixty days notice of intention to leave retains his interest in the fund, which is paid to him in three annual installments provided he does nothing to injure the company in the meantime. One half of each man's share is paid to him in cash and the other half is invested by the company for his benefit. From this latter credit, the company may at its discretion make payments to the employee in case of sickness, and the fund may be mortgaged to help a man build a house.

The average number of employees is 100, of whom about 80 participate. The plan was adopted because of the belief of Samuel Cabot, Sr., as expressed in an article in the *Review of Reviews* some years ago, that: "At a

very early period in my business experience it appeared to me that the rewards ordinarily offered to the wage-earner were not such as to stimulate him to the best exertion nor foster in him the best and kindest feelings toward his employer."

The present president of the company states his belief that the system is a success but doubts whether it would be successful in any much larger plant.

#### CADILLAC HANDLE COMPANY.

LUMBER AND BROOMHANDLES. CADILLAC, MICH. 1914.

Those employees who have been in the service of the company for at least one year are paid 3% of their total earnings. Those who have been in the service two years obtain 5%; those in the service for three years 6%.

These payments are dependent, however, on the ability of the company to make these distributions. The plan only applies to the rank and file and does not include heads of departments or members of the office force.

The company is "not prepared to say that it is or is not an unqualified success." The principal object was to promote more continuous service on the part of employees.

#### CALUMET & HECLA MINING COMPANY.

CALUMET, MICH.

In June, 1915, the company paid a bonus to its employees equal to the aggregate amount of a wage reduction in force from September 1, 1914 to May 1, 1915. The former rate of wages was restored on the latter date. The reimbursement is stated to have been due to improved conditions in the copper industry.

In January, 1916, announcement was made by this company and ten subsidiary mining, railway and milling companies that until July 1, 1916, a monthly bonus would be paid to all employees ranging from one to ten per cent of their earnings. About 14,000 men are affected. Whether the bonus will be continued permanently is not stated.

**THE CASWELL-RUNYAN COMPANY.**  
**MANUFACTURERS OF CEDAR CHESTS. HUNTINGTON, IND.**  
**1915.**

In December, 1915, the company announced the adoption of a profit-sharing plan for the benefit of its 400 employees. The distribution ranges from 1% on yearly wages for those who have been in the service one year to 5% for those who have remained with the company five years or longer. The total of these payments is about \$10,000.

**CHAMPION SPARK PLUG COMPANY.**

TOLEDO, OHIO. 1915.

The plan is a cash distribution twice a year and is based upon wages earned, length of service, attendance, etc.

To a certain percentage of the total wage is added the total saving made by reduction in waste, spoilage, scrap, etc.,—a careful record of this being kept in proportion to the output of the plant.

In the case of the department heads and sales force, the amount is directly dependent upon results, carefully tabulated and compared for each six months period.

Approximately 300 employees of this company, including salesmen, foremen, managers and other employees of the factory participated on Jan. 15, 1916, in the first profit-sharing distribution.

The president states:

“So far we consider the profit-sharing plan with our employees a decided success, although we shall unquestionably see a way of improving the method of handling this as time goes on.”

**CITIZENS' TRUST COMPANY.**

UTICA, N. Y.

At the end of each year the employees are paid a bonus on their annual salaries, the rate depending upon

the amount of net earnings for the season. When the earnings are from \$50,000 to \$60,000 the bonus is 5% on salaries, and the rate increases by 1% for each additional \$10,000 of earnings, the maximum being 10% when the year's business yields \$100,000 or more.

The employees do not know until the year is over what the bonus rate is to be, and the company finds that this serves as an incentive to get in new business and increase the net profits of the bank, with very satisfactory results.

#### THE CLEVELAND TWIST DRILL COMPANY.

CLEVELAND, OHIO. 1915.

After 8% is paid on the company's stock all additional dividends declared will be divided between the stockholders, in proportion to the amount of stock held, and the employees in proportion to the wages earned during the preceding year. The share of employees who have been continuously in the service for at least two years will be at the same rate as that of the stockholders. Those in the company's employ one year but less than two will receive three-fourths of this rate and those in the service less than one year will receive one-half the rate. Only bona-fide employees in good standing will participate, but those laid off for lack of work or for sickness will share to the extent of the wages actually earned during the dividend period.

The company emphasizes the fact that the plan is purely voluntary and that the right is reserved to discharge an employee and thereby terminate his participation in the profit division at any time.

#### CLIPPER BELT LACER COMPANY.

GRAND RAPIDS, MICH. 1912.

From the profits of the year the company pays those employees, who have been with it one year or less, 5% of the amount received as wages during the year. This percentage increases 1% for every added year of service

until 10% is reached, where it remains indefinitely. These payments are made provided the profits for each year warrant it. There are about fifty employees.

The results of the scheme are stated by the company to have been a reduction of 9% in the cost of production, an increase in the earnings of the employees of 19%, and "a closer bond of fellowship with their employees."

**COBBS & MITCHELL, INC.**

**MANUFACTURERS OF WOOD FLOORINGS. CADILLAC, N. Y.  
1913.**

Employees who have worked for the company for one year are given 3% of the year's wages; those employed two years, 6% of the previous year's wages; and those employed three years, 10% of the previous year's wages. Employees absent from duty must provide a substitute, or obtain a written excuse from the foreman and deposit same with the cashier.

The proposition is stated to be separate and distinct from wages. "The aim was to reach the employees in place of the heads of departments" and "to secure to us regular employment of our men." The company considers that the scheme has already been a success. In 1914, \$6,758.59 was paid to 187 employees.

**CODORUS CANNING COMPANY.**

**CODORUS, PA. 1913.**

A dividend of 10% on wages is paid annually to employees of this company, including the rank and file. The total number participating is 150, and the secretary of the company states that the plan has proved a success.

**COLUMBIA TRUST COMPANY.**

**NEW YORK CITY. 1916.**

The company has established a special Fund, to consist of such moneys as the directors may appropriate from time to time. Five trustees are placed in full charge of this fund, a part of which is reserved for payment of

pensions and death benefits, at the discretion of the trustees, and a part distributed as profit sharing. One-half of any amount in excess of \$10,000., appropriated to the Fund in any year, constitutes the profit sharing allotment, and the distribution is in proportion to salaries and length of service. Only employees who have been with the company one year or more are eligible, and after five years' service an additional allowance is paid, ranging from 10 per cent on salaries to 40 per cent to those employed 20 years or more, in part for distribution as profit sharing under specified rules and in part to provide a pension and benefit fund.

THE CONKLIN PEN MANUFACTURING COMPANY.  
TOLEDO, OHIO. 1914.

The company plan as adopted provided that if there were a saving of from 3% to 5% in the office payroll for the comparative periods of January to July 1 for each of the years 1914 and 1915, and from July 1 to December 31 of the same years, such saving effected would be added to the office employees' salaries for the following six months' period.

The company states: "In the first half of this year (1915), a saving of 4.6% was effected, which amount was added to the salary of each employee on July 1."

CRANE COMPANY.  
CHICAGO, ILL. 1900.

Every year about Christmas time the company makes a cash distribution to employees, based upon their earnings during the year. This is not guaranteed, but the actual distribution for the past thirteen or fourteen years has been at the rate of 10% on wages, and in 1915 this involved a payment of about \$700,000 to approximately 10,000 employees. Every employee who has been in the service one month participates, except the officials and those who hold stock of the company. The distribution does not depend upon length

of employment, amount of wages or efficiency of service.

The company many years ago started profit sharing among its employees by using a percentage of profits plan, copied after that originated by John Bright in England. Profits were not large and the payments being correspondingly small to the employees, there was lack of interest in the plan and no good results were accomplished.

Later Mr. Crane introduced a stock subscription plan, the employees being permitted to buy stock outright to an amount equal to their yearly salaries. The percentage of employees who participated was small, many preferred to put their savings into homes, and unfortunate distinctions and suspicion grew up between employees who owned stock and those who did not, especially in times of strikes. A number of years ago, when a disturbance arose, some of the employees who had stock were leaders of the strike and this so discouraged the company that the stock participation plan was abandoned.

Later the company introduced the plan now in existence and described in the first paragraph above, but even this plan is not without its unsatisfactory features, as many of the employees have grown to count upon it at Christmas and plan their expenses accordingly. Furthermore, the employees feel that the receipt of the bonus puts them under an obligation to the company and they do not like to ask for an increase in wages, even when justly entitled to it. A recent and unintended development, discovered by one of the officials and discontinued, was the unfair practice, when taking on new employees, of fixing the initial wage at such an amount that the added bonus would only equal the regular market wage.

CRANE VALVE COMPANY.

BRIDGEPORT, CONN.

(Now owned by Crane Co. of Chicago, and the same system  
of distribution has been adopted.)

**CROCKER, BURBANK & COMPANY.****PAPER MANUFACTURERS. FITCHBURG, MASS. 1908.**

Employees who have been with the company for two consecutive years are paid, on December 1 of each year, a 5 per cent dividend on their wages earned during the twelve months ending on that date. Employees who have been with the company five consecutive years receive on July 1 an additional 5 per cent on their yearly wages. There are between 900 and 1,000 employees, of whom 700 participated in the last dividend. The company states that it has found each year that the number of employees who have been in its service for two years or more is increasing, and that it therefore considers the plan a success.

**DELLS PAPER & PULP COMPANY.****EAU CLAIRE, WIS.**

Beginning March 1, 1916, the company, it is announced will inaugurate a profit-sharing plan of wages for the employees of the company. The plan provides that the wages of the men shall be treated as so much capital stock, and the company guarantees a dividend of at least 6 per cent. and from that up to 8 or 10 per cent.

**DIAMOND STATE FIBRE COMPANY.****BRIDGEPORT, PA. 1915.**

The company announced in December, 1915, that dividends to labor would be paid every three months if the results proved satisfactory, on the condition that "there will be no dividends when there are no profits." The distribution will be based on the wages earned by the employees during the previous thirteen weeks, and the profits earned by the company during the same period. The first dividend, paid January 1, 1916, amounted to 6% on the employees' wages for the 13 weeks ending December 18.

**THE DOLD COMPANY.**  
**BUFFALO, N. Y. 1913.**

Rewards for promptness, efficiency and courtesy, in the form of prizes, are distributed by the company annually through the medium of an employees' mutual benefit association. The distribution is in fixed amounts based upon the profits earned by the company. In addition, there is a cash bonus to such of the foremen as are considered to have earned it, upon the same grounds. It is reported that the amount distributed to 15 of the 34 foremen at the end of 1915 was about \$2,000, while more than \$16,000 was divided among approximately 700 members of the employees' association.

**DURANT-DORT CARRIAGE COMPANY.**  
(See Stock Ownership)

**THE EMPORIUM.**  
**DEPARTMENT STORE. SAN FRANCISCO, CAL. 1913.**

Every employee, except executives and heads of departments, who has been in the employ of the company one year and under three, receives at Christmas 1% of his year's salary. Every employee on the payroll three years and under five, receives 2½% of his salary. Every employee on the payroll five years and over receives 5%.

The company reports: "We regard the profit-sharing plan an unqualified success."

**FEDERAL MOTOR TRUCK COMPANY.**  
**ROCHESTER, N. Y.**

All employees of the company, including the officials, receive at Christmas time a bonus on their yearly wages and salaries. In December, 1915, the rate paid was 10% to all who had been with the company a full year or more, 7½% to those from nine months to one year in the service, and 5% to those employed from six to nine months.

A distribution similar in character has been made in previous years, the object being to build up a permanent

force. The vice president of the company states that during 1915 the number of employees who had been a year or more in the service was 25% greater than during the previous year.

**FELS AND COMPANY.**

**MANUFACTURERS OF SOAP. PHILADELPHIA, PA. 1901.**

A percentage of wages, based on length of service, is given at the end of each year. There is one rate for those employed less than three years and a higher rate for those employed more than three years. All regular employees are included. The company considers that the plan "is a success in many respects, but has some features not satisfactory. We have reason to believe that most make very good use of the portion received, but some do not. . . . As in most profit sharing schemes there is an element of arbitrariness which must be got over before profit sharing can be said to be unqualifiedly a success."

**FERRACUTE MACHINE COMPANY.**

**BRIDGETON, N. J. 1915.**

On account of prosperous business, the company in 1915 paid bonuses on wages earned by employees amounting to 5% for the first six months of the year, 7% for the next three months, and 10% for the last three months. For the first quarter of 1916 it is expected that the payment will be 10%, but whether it will be continued thereafter the company is not in a position to state. There are about 200 employees, all of whom participate. The company considers the plan satisfactory and states that "we prefer this arrangement rather than suddenly advancing the wages because it is naturally easy to advance the wages but it is very hard to lower them."

**FORSTMANN AND HUFFMAN.**

**TEXTILE MANUFACTURERS. PASSAIC, N. J. 1915.**

In December, 1915, the company distributed a bonus of between \$35,000 and \$40,000 among 1,600 of its 4,000

employees, as a mark of appreciation of faithful service. Those who had worked for the company from two to four years received \$10; four to six years, \$20; six to eight years, \$30; eight to ten years, \$40; and employees in the service continuously for ten years received \$50. It was not stated whether the distribution will be continued in future years.

FROST GEAR AND FORGE COMPANY.

JACKSON, MICH.

After setting aside 10% for stockholders, a portion of the excess profits is divided among certain employees in proportion to salaries, but participation is limited to foremen and those above them, including officers of the company. The company states that: "The workmen in the shop do not participate, but get their extra incentive from the ordinary piece work which we employ in the forge department, or premium which we use in the gear department." (Not true profit sharing, under standard definition.)

The share of profits received by officers and foremen is not paid in cash, but stock representing the share of each is held in the treasury for three years, when it is issued to the individual whether he is then in the employ of the company or not. Dividends on this stock are paid in the meantime.

The company states that its object was to tie to it the men who have been faithful and who have taken a lively interest in the welfare of the business. As profits increase the percentage set aside for employees becomes greater, it being the company's expectation that this "would spur the employees to a very extra effort," and, further, that although the plan is not entirely satisfactory the company is not able to devise one that will meet the requirements any better.

FULTON BAG & COTTON MILLS.  
ATLANTA, GA. 1912.

For the first three months of employment, each employee receives at the end of that period a premium or bonus of 3 per cent of the wages earned. At the end of the second three months, he receives a bonus of 5 per cent of the wages earned during that period, and at the end of the next six months, which would complete one year's employment, he receives a premium of 7 per cent of his wages during the preceding six months. Each six months thereafter he receives this 7 per cent premium. All employees on the company's pay roll, with the exception of those in the office, are eligible to this premium.

GARDNER NEWS COMPANY.  
GARDNER, MASS. 1916.

On February 1 the company issued a letter to its employees, eleven in number, not including officials, to the effect that it did not feel justified in increasing their wages, believing the existing scale equal to that found in similar offices, and that under less prosperous conditions it might prove necessary to withdraw such increase if made. Instead, there would be paid on the first day of February and of August, to employees who had been with the company for more than one year, a certain percentage of the gross business transacted during the preceding six months, in each case, in proportion to the wages of each individual.

GARNER PRINT WORKS AND BLEACHERY.  
GARNERVILLE, N. Y. 1916.

On the first of January about 500 employees of the company were awarded a bonus of 10 per cent on wages, in proportion to efficiency. The rank and file as well as heads of departments are eligible. It is stated that the bonus will be figured on weekly earnings but paid at the end of each month, and that the payments at present

amount to about \$800 per week on a pay roll of approximately \$8,000.

**GENERAL CHEMICAL COMPANY.**

NEW YORK. 1915.

This plan has been changed from time to time. The one in operation in December, 1915, is described by the company as follows:

"This year the distribution of the profit sharing fund goes not only to the managers, heads of departments and superintendents, but also to every other employee of the company. For the managers a more or less arbitrary amount was set aside, but the men were paid on the basis of 10 per cent of wages received to all who have been with the company for a year or longer and 5 per cent to those who have been with the company less than one year. This bonus was paid in cash. In the case of the wage-earners in many instances, we distributed pass-books on local savings banks after arranging with the banks to keep open two or three evenings in order to permit the men to take as much or little of the bonus away in cash as they themselves desired, it not being our intention in any way to control the money after it once passed into their hands. It is of interest to note that in many cases we have reports that a large percentage of the men in the reporting factories have left their entire bonus in the local savings banks. We regard the distribution as only an evidence of our desire to establish a real spirit of co-operation between the stockholders and the workers."

**GENERAL ELECTRIC COMPANY.**

SCHENECTADY, N. Y. 1916.

The company has announced under date of March 18 that a sum has been set aside sufficient to permit the payment, to all employees (other than directors and general officers), who have been in its service continuously for five years or more, of a supplementary compensation equivalent to 5 per cent of their individual earnings for the six months ended respectively June 30 and December

31, 1916. It has been estimated that these distributions will amount in the aggregate to between \$3,000,000 and \$5,000,000. There are about 50,000 employees in all the plants of the company, of whom a very large proportion have been in the service at least five years and are therefore eligible to participate.

The company also has in operation, at its Schenectady plant, an investment club through which employees may invest their savings in stock of the company upon payment of \$5 per month. This requires a saving of \$60 per year for a period of about three years, to complete the purchase of one share. Early in 1915, shortly after the organization of this club, it had attained a membership of 800 subscribers.

The investment plan of the National Lamp Works, of Cleveland, (having twenty odd plants in various parts of the country, with an average of 500 employees each) presents an illustration of the great risk an employer takes when he assumes the responsibility of aiding his employees to make investments. In 1911, the executive heads had devised, by a leading securities company, a plan under which there were organized two investment companies to receive the deposits of the employees of the different lamp works. They were termed the "Nela Alpha Investing Company" and the "Nela Alpha Anticipation Company." Heads of departments and office employees in all the plants were induced to deposit a certain percentage of their monthly salaries. The intention was to include the rank and file by means of a stamp system but this was not carried out.

The sincerity of purpose in this undertaking is indicated by the following extract from a letter written by F. S. Terry, leading official of the Lamp Works, May 9, 1912:

"Our opinion is that we shall benefit our employees as much by inducing them to save their money as by any form of profit-sharing distribution, and we are doing all we can to acquaint them with

the character of different classes of investments so that their savings will neither be invested in Government bonds nor in savings banks, both of which yield small returns; nor, on the other hand, will they be invested in highly speculative enterprises where the risks are liable to be too great."

Certificates of participation in the Investing Company were issued to savers whose deposits had reached \$100. After having paid in given amounts (decided upon by the organizers), the savers received common stock certificates which participated in the surplus earnings over and above 6 per cent on the preferred stock.

Through the Anticipation Company, funds similarly received were invested in speculative stocks and new offerings, such as the common and preferred stocks of leading public utilities, in which there was a gambling chance to make unlimited profits. The promoters of the plan reserved the privilege of transferring or assigning all their rights thereunder, at any time, and expressly stipulated in the subscription agreement that no fiduciary relation of any kind was assumed nor any obligation to undertake or carry out the plan.

For several years past, the stock of the Investing and Anticipation Companies—that purchased by the employees—has had no market value except that made by the holders (men and women) as they have sold to one another, for the reason that some of the securities held by those two companies had a severe shock. Three years ago, for example, the stocks of one of the public utilities, in which part of the funds of the foregoing companies had been invested, sold as high as \$144 but since that time has been as low as \$40 per share. Quite recently that particular stock has almost regained its original market value. However, the anxiety of the officials of the Lamp Works (who went so far as to try to protect the employees' funds with their own money and to have a broker popularize trading in the preferred stocks), as well as

the disturbed mental state of the depositors, who could not at any time realize on their investments except at a great loss, indicate the unfortunate situation which may arise from such recommendation of industrial investments where the employees are not guaranteed against depreciation in the market value of the securities. In this instance, a committee, consisting of the chief officials and others, was appointed to superintend the investing of the employees' funds; but the experience shows what blunders may be made by big business men, even with the best intentions. Also, there has been created a tendency on the part of the employees to take an interest in the stock market not regarded as wholesome.

**GENUNG, MCARDLE & CAMPBELL.  
DRY GOODS STORES. MT. VERNON, N. Y. 1913.**

After the net profits of the year earned by the various departments have been determined, a certain sum is set aside for each department to be distributed as a bonus among the individual clerks, the sums paid them varying according to the amount of goods sold, condition of stock, and interest and loyalty displayed.

Managers of certain departments are given an interest varying from 20 to 30 per cent of the net profit of their departments. From this amount the salary or drawing account is first deducted, and the balance paid by check.

The company reports the plan satisfactory to date.

**GERMAN-AMERICAN BUTTON CO.  
ROCHESTER, N. Y.**

In the sharing of profits among the heads of departments and the rank and file, both in cash and stock distributions, there are taken into consideration all possible factors such as length and quality of service, individual achievements, and faithful attendance. In some departments, half the operators have been recipients but the general average is less than one-quarter of the employees.

**P. H. GLATFELTER COMPANY.**

**PAPER MANUFACTURERS. SPRING GROVE, PA. 1916.**

The company introduced a profit sharing plan in January, based upon wages and length of service. All the 215 employees are eligible. It is stated that employees who have been with the company one year will receive a cash dividend on their wages earned during that period, equal to the rate paid on the company's stock. The company states that continuance of the plan will depend upon whether, at the end of the year, it has proved a success.

**THE GLOBE TOBACCO COMPANY.**

**DETROIT, MICH. 1886.**

Peculiar arrangement by which company handed over to labor union one per cent of gross receipts, to be paid to employees pro rata. Necessitated because state laws prevented the plan of coöperation desired by the company. The latter enthusiastic at the time of publication by N. P. Gilman (1889).

**THE GREAT DEPARTMENT STORE, INC.**

**LEWISTON, ME. 1900.**

After the profits of the business have been figured out each year, cash dividends computed on their salaries are paid to employees who are members of the Co-Workers' Club, which is open to all who have been with the company for six months and who pay the dues of \$1.00 a year.

The last dividend paid was at the rate of 12½ per cent.

**Wm. H. GRUNDY COMPANY, INC.**

**BRISTOL, PA. 1916.**

It was announced in January that on June 30, 1916, a bonus of 5 per cent will be given to all employees on their wages for the preceding six months, provided they have been in the employ of the company one year. To those who, on June 30, have been on the pay roll four and one-half months a bonus will be paid of 2½ per cent on wages

actually earned during that period. Whether the plan will be continued permanently is not stated.

**GULF BAG COMPANY.**

NEW ORLEANS, LA.

For a number of years an annual cash bonus has been paid to employees, based upon length of service. Those who have been with the company one year receive 2% on the wages earned during that period; for two years' service the rate is 4%, and the amount increases by 2% for each additional year up to 20% for employees of ten years' or more standing.

In the distribution of January, 1916, 123 of the 213 shop employees were eligible, and of these 23 were in the 10-year class and 17 in the 1-year class. Ninety who had been with the company less than one year were presented with \$1 each.

The company also pays interest at 5% on savings deposited by employees, up to \$1,000.

The bonus distribution includes a few office employees and salesmen, and employees who earn more than \$1,800 salary per year receive a certain share in the dividends declared by the company.

The company considers that the plan pays, because it keeps the plant manned with an exceptionally good force.

**HAINES, JONES & CADBURY Co.**

**MAKERS OF PLUMBING SUPPLIES. PHILADELPHIA, PA. 1886.**

An officer of the company states:

About thirty years ago we adopted a plan of distributing money among our employees based on our profit and based on their wages or salaries. When we had good years this, of course, was satisfactory to our employees, but when the poor times came they were dissatisfied and after trying it for about five years, we discontinued that plan.

For about twenty years, we had a plan of making a cash disbursement to certain of our employees that we

thought were entitled to it. This was not based on their wages but was an arbitrary matter passed upon by the president of our company.

For the past few years, we have set aside from our earnings 5% on the capital invested in our business, charged off for bad debts, depreciations, etc., and then took 25% of the balance and put it into a fund for distribution among our employees. The employees were divided into two classes, one class getting about 90% of this fund and the other class about 10%.

We employ from 350 to 500 people. This cash disbursement is made mostly to department heads and some of the rank and file and includes about fifty.

Our branch stores are operated on rather a different plan—the manager getting a certain percentage of the profits and then if we make over a certain amount, we distribute 2½% among the employees of the branch—taking in mostly the heads of departments and not paying very much attention to the rank and file.

Our salesmen operate on a profit-sharing contract but it is most too complicated to undertake to explain. The arrangement which we have made with our salesmen has been quite satisfactory and the last plan which we have adopted for distribution of cash bonuses has been more satisfactory than any that we have previously adopted, but it is not entirely so because a great many of our employees do not thoroughly understand the difficulties of conducting a large business and that the profits vary greatly in different years depending upon conditions oftentimes which are entirely beyond the control of the management. Our people are beginning to understand it, however, better and better every year and we believe that we have made some progress and that the arrangement has been a beneficial one to our interests.

C. F. HALL COMPANY.  
DEPARTMENT STORE. DUNDEE, ILL. 1902.

Every six months the company makes a distribution

among all its clerks of 1% of its cash sales during that period. The basis of distribution is the amount of wages received by each clerk, and it aggregates about the equivalent of a month's wages.

The company regards the plan as successful and states that from 1902 to 1914 it has distributed to its clerks under the plan approximately \$13,000.

**HAMBURG-AMERICAN STEAMSHIP COMPANY.**

HOBOKEN, N. J. 1914.

The company distributes an annual bonus of ten per cent among the employees. The amount of the distribution is determined by the rate of dividend declared each year.

Hoboken Observer, Apr. 27, 1914.

**HAMILTON-BEACH COMPANY.**

RACINE, WIS.

It has been announced that a profit sharing plan with the employees would be started.

Milwaukee (Wis.) Sentinel, March 21, 1916.

**HAMMOND TYPEWRITER COMPANY.**

NEW YORK.

For some years prior to the European War the company paid each employee a quarterly gratuity, the amount of which was based on length of service: for three months' service 50% of one week's salary, for six months' service 55%, increasing at the rate of 5% for each additional three months' service up to five years, when an employee received the equivalent of a full week's salary.

In describing the plan the company states that these gratuities were colloquially called "dividends" and were paid whether the company made a profit or not, "and so actually they were not profit shares at all."

Regarding the success of the plan the company says:

"About the only difficulty we had with the system was that many of the employees ceased to regard the payments as gratuities and thought of them as vested rights,

with the result that they resented the suspension of the payments. If the payments had been suspended at any time other than in a business crisis, we are inclined to believe that there would have been troublesome dissatisfaction. In other words, the payments so completely lacked the character of actual profit sharing that in the eyes of the employees the fact that the company was making no profits would not have been regarded by the employees as a sufficient reason for suspending any payment."

In consequence of the shutting off of export business, by the European war, the company has temporarily suspended these gratuities, but expects to resume them when business warrants.

**HEEBNER & SONS.**  
**MANUFACTURERS OF THRESHERS. LANDSDALE, PA. 1913.**

After a fair profit on the year's business is reserved by the proprietor, a voluntary distribution is made to employees, in the form of a stated percentage on their yearly earnings. In 1913, 10% on wages was paid to 80 employees; in 1914 and 1915, 12%. The proprietor states: "We think it a success, inasmuch as it is an incentive to our employees to see that our business is profitable. If it is not profitable, they will get nothing above their wages."

**HENDRICK MANUFACTURING COMPANY.**  
**CARBONDALE, PA. 1916.**

Each man and boy, numbering approximately two hundred and fifty, who has been in the employment of the corporation a year or over received on Feb. 22, 1916, a bonus of five per cent out of the profits which the company made during 1915. These employees do not include the office force.

Many of the men employed by the company have held down their jobs from boyhood almost to old age. The

men employed in the various departments are all experts in their several lines, even among the laborers.

Not a man who is the beneficiary of it, had the slightest idea until he opened his pay envelope that he was to receive a substantial bonus with his wages. Not a single order was accepted by the company last year for war material.

Carbondale Pa. Leader, Feb. 23, 1916.

#### HERCULES POWDER COMPANY.

WILMINGTON, DEL. 1913.

The employees were divided into five classes, according to length of service from one to fifteen years, and announcement was made that wages of the employees in the several classes would be increased from 2 to 20% respectively. While termed a "wage increase," however, the company also refers to it as a "bonus," of a purely voluntary character, and "reserves the right to withhold it for justifiable reasons, either permanently or temporarily, from any individual or all employees." It was the intention of the company to continue the plan indefinitely, "providing we secure the coöperation of our pay roll employees in the faithful performance of their duties and adherence to the company's rules and our men make it evident that they desire to benefit by the increases provided through continuous or uninterrupted service."

#### HERSHEY CHOCOLATE COMPANY.

HERSHEY, PA. 1908.

At the end of each fiscal period, a sum is set aside and divided among employees who have been in the company's service during the preceding six months. The amounts given to each are in proportion to their salaries or wages. In 1914, this extra compensation amounted to 20% on wages, and the total distribution was nearly \$100,000. On January 1, 1916, of the whole force, 86% of the force received the bonus. When it was first given, only 20% could qualify. The percentage has steadily increased. The amount this time exceeds \$100,000. All

employees, from office boys to executives, figure in the distribution.

The company considers that the plan helps to eliminate the "rolling stones" and to encourage saving and home building.

The company has been sued by a former employee for a bonus claimed to be due him for past services, and it is stated that the decision in this case will determine the outcome of several similar suits against the company by former employees.

**HIBBARD, SPENCER, BARTLETT & COMPANY.**

**HARDWARE. CHICAGO, ILL.**

At the end of each year, from the profits of the business, employees receive a certain percentage of their salaries, varying according to length of service. In 1914 the percentage was: one year's service 2%, two years 4%, three years 6%, and four years or over 8%.

The total payment varies according to the profits of the year.

The unique feature of the plan is that only one-half of the amount given to the employees is directly paid to them, the other half being deposited to their credit in savings banks designated by them.

**J. F. HINK AND SONS COMPANY.**

**EUREKA, CAL.**

This is one of the few mercantile establishments on the Pacific Coast paying annual dividends, or profits to its employees. Since the inauguration of the plan, the company has paid out more than \$4,000 to its clerks. The plan is based on merit.      *Eureka Cal. Times, March 1, 1916.*

**HOME FURNITURE COMPANY.**

**MANUFACTURERS OF FURNITURE. YORK, PA. 1914.**

A cash distribution is made at the end of the year, based upon the wages earned by the employees during that period. All employees in the service of the com-

pany at the end of the year participate, and about 100 are affected. It is reported that the total distribution in January, 1916, amounted to about \$2,000.

#### HOTEL VENDOME.

MINNEAPOLIS, MINN. 1912.

All wages paid to employees during the year are charged to a so-called wages account. At the end of the year, 36% of the total wages account and 36% of the net profits of the business for the year are credited to the wages account.

A share of the profits is paid to the employees at the same rate on wages as the percentage of excess of credits to wages account over charges to wages account. If the credits to wages account are less than the charges, no profits are shared. The ratio of wages and profits was fixed in 1912 "thus promising a bonus in case the profits could be increased without increasing the wages." If the wages of any employee are automatically increased by reason of any state or national law, that employee's share in the profits is computed on the basis of his previous salary and the amount of the wage increase deducted from his share in the profits.

#### HOUK MANUFACTURING COMPANY.

MANUFACTURERS OF WIRE WHEELS. BUFFALO, N. Y. 1915.

In December, 1915, the company announced that it had opened accounts in a certain savings bank to the credit of the individual employees, to the number of nearly 300, and that in December, 1916, all holders of passbooks who were still in the company's employ, and who had themselves deposited not less than \$1. a week during the year, would be credited by the company with a premium on such accounts at the rate of 10 per cent per annum, in addition to the regular interest paid by the bank.

**HUDSON MOTOR CAR COMPANY.**  
**DETROIT, MICH.**

It is the custom of the company to give each year, as a Christmas present, a week's extra pay to workingmen who have been in the service six months, and the same to office employees who have been with the company one year or more. The total distribution amounts to about \$20,000. a year.

**HUGHES-O'ROURKE CONSTRUCTION COMPANY.**  
**DALLAS, TEXAS. 1914.**

A profit-sharing plan was inaugurated by increasing the salaries of the employees and setting aside 20 per cent of the net profits of the company for apportionment among the employees.

Dallas News, April 12, 1914.

**INTERNATIONAL HARVESTER COMPANY.**  
 See Stock Ownership.

**INTERNATIONAL MOTOR COMPANY.**  
 ALLEGTON, PA. 1915.

An announcement by the company was reported in August, that a "war bonus" aggregating 20 per cent of the total monthly earnings would be paid to its employees on the first of each month.

It was stated that the bonus was in recognition of exceptional business created by the war, and that the object was to retain good employees and build up a strong and permanent organization.

This distribution is typical of special and probably temporary bonuses paid by many large corporations engaged in fulfilling war contracts, on the theory of sharing with the employees some of the extraordinary profits.

**JOLIET GRAIN COMPANY.**  
 JOLIET, ILL. 1916.

A year ago the Joliet Grain Company, a coöperative organization, after a record year, announced that if during 1915 the profits of the organization exceeded 25 per

cent it would adopt a profit-sharing plan with the employees.

Last night at a meeting of the company the six employees were presented with \$48, each being one dollar a week for each week since the announcement of the bonus.

Joliet (Ill.) News, March 5, 1916.

#### KING MOTOR CAR COMPANY.

DETROIT, MICH.

A certain sum of money is set aside at the close of each year to make a bonus payment to employees. This sum has been approximately  $7\frac{1}{2}\%$  of the net earnings. Each employee receives about 10% of the amount of his yearly wages.

KOHLER Co.

KOHLER, WIS. 1916.

Each employee will be given a bonus of 10 per cent of his total monthly wage or salary for a perfect attendance. It employs more than 1,000 men and women. A maximum bonus is set.

St. Louis (Mo.) Post-Dispatch, March 10, 1916.

#### LARKIN COMPANY.

SOAPMAKERS, CHEMISTS, ETC. BUFFALO, N. Y.

The clerks in the sales department receive a bonus each month equal to one-tenth of their aggregate monthly pay roll. The amount of bonus to each clerk depends upon salary and considerations of individual merit, such as helpfulness, loyalty, application, deportment and attendance. Questions of merit are decided by bonus committees composed of five members, elected by the clerks in each section. These committees award "bonus points," up to ten, at the end of each month.

Another form of extra distribution by this company is the payment of a rate of interest higher than normal on a savings fund, in which there are deposits of \$200,000. by 1200 employees. The rate paid is 5%.

There are about 200 employed in the sales department, who participate in the plan.

**LILLY CARRIAGE COMPANY.**

**MANUFACTURERS OF CARRIAGES, HARNESS AND AUTOMOBILES. MEMPHIS, TENN.**

A certain portion of the net profits over 6% is divided among the men who have been in the company's employ for one year. The employees are skilled mechanics, and the amount is divided in proportion to their wages. The plan applies to the rank and file and department heads, but not to the office force.

**HERBERT M. LLOYD.**

The details of a profit-sharing plan which has just been put into operation by a company in which Mr. Lloyd is interested will be found included with his views on the subject in general in the chapter on "Opinions of American Employers".

**LOUISVILLE VARNISH Co.**

**LOUISVILLE, KY.**

Every employee who has been with the company a year receives a bonus of ten per cent on his salary. The president of the company states that they are very careful that the salaries paid by them are as much as or more than those being paid by others for the same kind of service. In further explanation he says that the plan "of course is really not on a profit-sharing basis, but is a bonus or a present, and as philanthropy or benevolence does not belong in business, we worked up a plan looking to the distribution of a certain percentage of the gross profits of the company."

Under date of Nov. 2, 1914, the president stated that it was his expectation "to develop the principle so as to virtually eliminate the wage system, which is almost the fundamental of the I. W. W." Later, in June, 1915, he wrote in further comment upon this idea: "Last year,

we were expecting to develop this matter even further and do away with wages entirely, but the fall trade was so unsatisfactory that the employees would have been the losers by the contemplated change; therefore it was not put into effect."

**LOWE BROTHERS COMPANY.  
PAINT AND VARNISH MAKERS. DAYTON, OHIO.**

Under the will of a former president of the company, the income from his interest in the business is divided among the employees. For the purpose of distribution, the employees were divided by him into three classes: (1) Those receiving \$1,000. or under; (2) those receiving from \$1,000. to \$2,500.; and (3) those receiving \$2,500. or more. The current dividends on this fund are divided into three parts and each part is then divided among the number of employees in that class. The president of the company says:

"I do not consider the plan an unqualified success, and therefore I am trying to work out a better one, but so far have been able to conceive of no plan other than steady work, fair wage and reasonable conditions under which to work, that will stimulate the rank and file."

**THE WALTER M. LOWNEY COMPANY.  
MANUFACTURERS OF CHOCOLATES. BOSTON, MASS. 1903.**

Employees of all grades who have been in the company's service for one year and have done satisfactory work are given a bonus at the expiration of that period. The bonus is based on the weekly wage for the year and varies in different instances. Occasionally the bonus is withheld as a penalty for carelessness.

The system is the outgrowth of a distribution of Christmas bonuses to certain employees, which rapidly grew to include the entire force of more than 1,000 employees. The company reports that the result has been satisfactory but that the establishment of a definite

minimum wage by the State of Massachusetts might lead to abandonment of the bonus plan and the combining of wages and profit sharing in a single item of wages.

**MACDONNELL DEPARTMENT STORES.**

BOSTON, MASS. 1904.

Employees receive 2% of the receipts during a certain week in the year known as employees' week.

**MAJESTIC MANUFACTURING COMPANY.**

IRON RANGES, WATER HEATERS, ETC. ST. LOUIS, MO.

All employees who have been with the company for two years or more receive a premium for continuous and loyal service, on the following basis: for two years' service, \$10; four years \$20; six years \$30; and so on to a maximum of \$100, for twelve years or over. The premium is paid in cash shortly before Christmas.

The company established the eight hour day twenty years ago, and claims to pay the highest wages for the class of work performed. In December, 1914, 223 employees participated, the aggregate amount then paid approximating \$8,000. The average number of employees is 485.

**MAXWELL MOTOR COMPANY.**

VINCENNES, IND. 1914.

A distribution of ten per cent of the year's profits was made among the employees who remained with the company for a year. Forty-one employees participated in the first distribution and each employee who had been with the company only a month or two was also given a check. The men were advised to apply the check on a home or deposit it in a savings bank.

**MECHANICVILLE KNITTING COMPANY.**

MEN'S WOOL AND COTTON UNDERWEAR. MECHANICVILLE,  
N. Y. 1910.

Every employee who has been in the service of the company for one year receives the equivalent of a week's

salary at Christmas. The total distribution amounts to about \$1,000. There are 100 employees.

The company reports that the plan has been successful and that there has never been a strike of any nature among the employees.

**METROPOLITAN LIFE INSURANCE COMPANY.  
NEW YORK CITY.**

The Metropolitan Life Insurance Company established in 1900 a system of company contributions to a savings fund in which its employees may be voluntary depositors. Agents, superintendents, assistants, clerks in the home office or any employee not in receipt of the higher grades of salary may pay into the fund an amount annually not to exceed a certain per cent of one's salary. The fund is administered by a board of trustees made up of seven officers and other members of the staff. The company contributes an amount equal to 50 per cent of the amount paid in by the members. A depositor may withdraw from the fund at any time he so desires and for any cause. If he voluntarily retires, he can take out of the fund all the money he has put in plus all interest accumulations, and in the year of withdrawal 3 per cent from the last interest day to the date of withdrawal. If he stays in the fund until permanently disabled or he dies, his contributions with interest and the company's contributions of 50 per cent and interest are paid in one sum to his heirs in case of death, or to himself in case of invalidity.

The growth of the fund in membership and money has been steady. For example, on December 31, 1904, the membership was 5,067 and the accumulations \$333,511.98. The voluntary withdrawals during the year had aggregated \$29,886.27 and the company's subscription \$34,031.64, while the forfeitures were \$9,103.60. The interest paid was 5.25 per cent, and the additions to the three classes of membership 2.58, 4.50 and 3.47 per cent, making in case of the three classifications the average

rate of earnings 7.83, 9.75 and 8.72 per cent. On December 31, 1915, the membership had grown to 8,842. The voluntary withdrawals during the year aggregated \$199,266.25. The amount of the company's subscription was \$138,587.28, and the forfeitures \$86,290.58. The total amount of the fund was \$2,971,038.24. The earnings of the contributors to the fund had been: For 2,818 Class A members (clerical force), interest 5.00, forfeiture 1.43, making the average rate 6.43 per cent; for 4,396 Class B members (agents), interest 5, forfeiture 4.68, total 9.68 per cent; and for 1,628 Class B members (superintendents, assistants, etc.), interest 5, forfeiture 4.68, total 9.68 per cent.

The earnings indicated by these percentages are in addition to the 50 per cent subscribed by the company. For years, the total amount received by the depositors had been over 10 per cent of their deposits. Illustrations of the growth of individual sums in the fund are seen in the fact that one member whose deposits amounted to \$1,803 had to his credit in the fund \$6,000. A superintendent who had deposited \$950 had received additions of \$1,578. An assistant who had deposited \$1,193 had to his credit \$4,050. An agent who had deposited \$1,160 had to his credit \$3,408.

#### MILWAUKEE GAS LIGHT COMPANY.

MILWAUKEE, WIS.

Every six months the employees are paid a share in the profits, at a percentage upon wages earned during the preceding six months, somewhat in excess of that paid on the capital stock of the company. Employees to participate must have been with the company one year, and must have worked five months out of each six months' period, unless absent on account of sickness or for other special reasons. Officers of the company are not included.

The company reports that it does not consider the plan an unqualified success. It has promoted regularity of employment but the gift of additional money twice a

year has had bad effects on the habits of certain of the men. The regular employees in time consider the extra money as a part of their wages and not as a bonus for good behavior and steady work. The company also points out that one of the objections to the system is that all share equally; "the man who barely escapes discharge is treated just as well as the best and most efficient in the organization. Of course, this is an inherent defect in nearly all of the profit sharing plans and one which is difficult to eliminate successfully."

#### MINNEAPOLIS BEDDING COMPANY.

MANUFACTURERS OF METAL BEDS AND BEDDING. MINNEAPOLIS, MINN. 1915.

After paying stockholders 7% on the book value of the company's stock, creating a sinking fund equal to 5% of the outstanding preferred stock, writing off an amount not to exceed 5% of the book value of buildings and machinery, for wear and tear, the remaining profits of the company are divided between the stockholders and the employees. An employee earning \$1,000 a year shares equally with the stockholder having stock of a book value of \$1,000. Employees must have served the company nine months before being eligible. An accountant is employed by the employees to ascertain the profits for the year.

A general committee to represent the employees is elected, with three members from each of the eight departments, and the company's announcement states that: "No foreman is eligible to a place on this committee, but the foremen will be invited in by the management at all conferences." It is also provided that the share of profits that would accrue to transient labor shall be used for shop betterment, "and if found necessary both the employees and the stockholders will be expected to contribute their share for additional shop betterment from time to time. But no more than 10% of said profits shall

be employed in additional shop betterment in any one year."

The corporation has about 200 employees and a paid up capital of \$425,000. Payroll and salaries amount to \$150,000.

J. P. MORGAN AND COMPANY,  
BANKERS, NEW YORK CITY.

The 200 employees of the firm receive bonuses at the end of the year, varying in amount somewhat according to the profitableness of the business. The distribution in December, 1915, is understood to have been double that of the previous year and was made at the rate of 20 per cent on annual salaries for those in the employ of the firm less than ten years, and 30 per cent for those employed more than ten years.

MURPHY VARNISH COMPANY.  
NEWARK, N. J.

It has been the custom of this company for a number of years to pay all employees a bonus of 5 per cent of their year's wages or salaries, in cash, at Christmas-time.

NEW JERSEY ZINC COMPANY.  
ALLENTOWN, PA. 1916.

The company announced in January that a certain sum had been set aside out of the net earnings for payment to the employees of a bonus of 10% on wages earned during 1915. Only those who have been with the company at least one year are eligible and the payment is said to be purely a gratuity, not affecting wages or salaries. The bonus will be paid in four installments during 1916 to those who are still in the company's employ on the first pay day after Jan. 1, May 1, August 1, and December 1, respectively.

**NEWPORT DAILY NEWS.**  
**NEWPORT, R. I. 1901.**

A cash distribution is made annually to employees who have been with the newspaper a full year, in the proportion which the individual employee's wages bear to the entire pay roll. About 45 of the 57 employees are eligible. The president of the company says:

“The plan was established voluntarily upon what I believe is correct principle. I am not sure that it has increased interest and so it may or may not be a commercial success.”

**CHARLES F. NOYES COMPANY.**  
**REAL ESTATE. NEW YORK CITY. 1911.**

An annual cash distribution of profits is made to all employees, from office boys to heads of departments, the total number being about 35. It is based upon efficiency, loyalty and length of service. The company considers it an unqualified success, on the ground that its business has increased during a period of depression in the real estate market.

**ORR FELT AND BLANKET COMPANY.**  
**PIQUA, OHIO. 1916.**

In February, 182 employees of the company received bonuses of from \$35 to \$40 in recognition of faithful and continuous service during the preceding year. The awards are stated to have been on a graduated scale in proportion to individual earnings. The employees participating are those who had been in the service of the company through the calendar year 1915 continuously, unless absent by reason of sickness. About 260 people are employed. It is not announced whether similar distribution will be made hereafter.

**OSWEGO MACHINE WORKS.**  
**OSWEGO, N. Y.**

Every employee of five years or more continuous service has an amount of money credited in an interest

account. The amount is determined by the proprietor and is proportioned to the length of service. Certificates are issued, representing this credit account, as "in a small way an appreciation of faithful service and constant effort to help improve the quality and quantity of output." Interest is paid on this money twice yearly. The full amount of these certificates is payable in cash at the end of ten years from date of issue, or it is paid to the individual's estate immediately in case of his death.

Interest at higher than normal rates is paid by the company on employees' savings accounts, the rate being at least 6%, or as much more as may be justified by the earnings.

Mr. Niel Gray, Jr., the proprietor, says: "Oswego Machine Works is not a corporation, but only one name under which I do business, and there are therefore no shares of stock. It would seem that the men's opportunity is better thus than in the purchase of stock of an industry, which is not always marketable and which may be subject to market fluctuations. The objection to the Oswego plan might seem to be more from the standpoint of the employer, but when the esprit de corps is considered, it is doubtful whether the guaranteed value and interest of the investment is questionable or not."

**PATTERSON-ALLEN ENGINEERING COMPANY.  
NEW YORK CITY.**

When the company's earnings are more than is required for the regular dividend to stockholders, a share is reserved for distribution among faithful employees, entirely at the discretion of the management. There are no rules governing the distribution. The president of the company says:

"We recently had a strike, brought about by outside union men wishing to compel us to work but eight hours a day, which we did not yield, our men all being satisfied with their pay and all of them en-

tirely willing to work the nine hours, with the exception of a few who have left our employ."

**THE PEERLESS PLUSH MANUFACTURING COMPANY.**  
PATERSON, N. J. 1913.

A fund of \$7,000, representing a portion of the company's profits for the year, was distributed among the 450 employees at Christmas time. The share of each was based on his regular wages and the number of weeks he had worked during the year. In explanation of this payment, the company issued the following statement to its employees:

"This money is not a gift or a bonus; it represents something which you have earned and which was not counted in your wages. By continuing to make your work count for economy, for time and material, and working hand in hand with the management, we hope to make a profit for you each year."

In September, 1915, the president of the company stated that they were not in a position to give any particulars in regard to profit sharing, as they had been only trying an experiment.

**PENNSYLVANIA ENGINEERING COMPANY.**  
BLAST FURNACE CONSTRUCTORS. NEW CASTLE, PA. 1916.

In December, 1915, the company announced that if the earnings of the business during 1916 were sufficient after payment of an 8 per cent dividend on the stock, a bonus on wages would be given to employees who had been with the company three months or longer. The bonus will be 10 per cent or less, as may be justified by the amount of the net earnings. There are about 500 employees.

**PFANSTIEHL COMPANY.**  
MANUFACTURERS OF IGNITION SPECIALTIES. NORTH  
CHICAGO, ILL. 1915.

Beginning in December, 1915, the company placed its employees on a profit sharing basis by distributing a

bonus of 2 per cent on their wage earnings of the preceding year. A part of the first distribution was described as payment for services rendered, and a part in consideration of the honesty, integrity and good faith of the employees in the performance of their duties. The company states that it expects to continue the plan indefinitely. There are about 170 employees, and the December payment was understood to have been between \$3,000 and \$4,000.

#### PLYMOUTH CORDAGE COMPANY.

NORTH PLYMOUTH, MASS. 1912.

When the company is unusually prosperous and able to pay the stockholders an extra dividend, the employees are allowed to share in the extra profits. They are given the same percentage, based on wages, that the stockholders receive.

The custom is to give the investors 4 per cent upon their capital, the company considering that to be a fair return. Anything earned in addition is regarded as an extra dividend.

During the hearings before the State Arbitration Board in connection with the settlement of a dispute lately, the men stated that they would prefer not to have the profit-sharing arrangement, because those who leave the employ of the company have no opportunity to participate, and they prefer to have any increases in regular weekly wages.

#### THE PULLMAN COMPANY.

CHICAGO.

Car service employees who have been in the service fifteen years or more, receive at the end of each year 5% of their total annual earnings.

The same class of employees who have been in the company's employ one year or more receive a month's pay as a reward for a clear record during the year.

**REED-PRENTICE COMPANY.**

**MANUFACTURERS OF MACHINE TOOLS. WORCESTER, MASS.**  
**1915.**

A so-called "war bonus" was paid to the employees in September, 1915, and continued monthly thereafter, the total for the first four months being about \$32,000. About 775 employees shared in the January distribution, approximately 550 of whom were machinists.

A strike, which is understood to have been for recognition of the machinists' union, was begun at this plant about the time of the inauguration of these bonus payments. When the company is operating with its full complement of help the distribution, if continued, will affect about 1,500 men.

**REMY ELECTRIC COMPANY.**

**ANDERSON, IND. 1915.**

A system of profit sharing was inaugurated by this company by the distribution of cash gratuities at Christmas time to about 75 employees, in proportion to length of service and responsibility of positions held. It was stated that next year this distribution will be also in proportion to the earnings of the company, in order to furnish an incentive to employees to cut down costs and increase their efficiency.

**Roos BROTHERS.**

**RETAIL STORES. SAN FRANCISCO, CAL. 1915.**

In December, 1915, this firm divided a share of its profits among the employees in its three stores. The heads of departments and their assistants participated directly in the distribution and all other employees who had been with the firm one year or more received premium-paid insurance policies for \$250, \$500 and \$1,000, respectively, according to length of service. The firm has between 500 and 600 employees.

RUMFORD CHEMICAL WORKS.

PROVIDENCE, R. I.

The employees who have been in the service of the company continuously for two years receive at the end of that period a bonus equivalent to 5% of their annual wage. All employees participate from department heads down to and including the rank and file.

The company formerly had a plan of giving such bonuses graduated according to the number of years in the service and the amount of wages received but gave it up because it became too burdensome. It regards the present plan as "very beneficial to us in making our help especially loyal."

RUSSELL MANUFACTURING COMPANY.

MIDDLETON, CONN.

Announcement has been made by the company that a 10 per cent dividend would be paid to all employees on April 1, based on the amount earned since Jan. 1. The company also said that if the present ratio of earnings continued they would be able to make a similar payment on July 1, and at later dates. The dividend will apply to all employees, both in the offices and in the mills. The company now has practically 1200 hands working.

Boston Transcript, March 22, 1916.

STEPHEN SANFORD AND SONS, INC.

CARPET MANUFACTURERS. AMSTERDAM, N. Y. 1915.

At the end of the year, the company announced that operatives who had been in its employ two years would be paid a bonus of 2% on wages earned during 1915; those in the service four years would receive 3%; six years, 4%; and eight years 5%. The mills employ about 3,000 operatives and it was understood that the bonus outlay would approximate \$75,000. Whether it will be continued from year to year is not stated.

**SEARS, ROEBUCK & Co.**  
**MAIL ORDER HOUSE. CHICAGO, ILL. 1912.**

Each employee receiving a salary not exceeding \$1,-500 per year who has been with the company at least five years, is given 5% of his last year's salary; if he has been with the company six years, 6%, and so on until 10% is reached. After ten years, the percentage remains 10%.

**SENECA FALLS MFG. Co.**  
**SENECA FALLS, N. Y. 1915.**

At the end of each month the company adds to the pay of all employees 10 per cent of the amount earned by them during that period.

The company states that it decided to share the profits with the employees because of the prosperous times and the fact that it had little competition in the vicinity.

**SHEPHERD CONSTRUCTION COMPANY.**  
**WILKES-BARRE, PA.**

The company states that about twenty years ago it attempted an experiment in profit-sharing but later on restricted it to foremen and heads of departments, on account of losses and annoyance experienced through constant difficulties with organized labor.

Nevertheless, in December, 1914, a new plan was put in operation under which all employees who have been with the company one year receive a dividend on their annual wages. The first distribution was made in January, 1916, at the rate of 8 per cent on the year's wages. If the result proves to be increased efficiency and interest, it is stated that the employees' share in the profits will undoubtedly be increased, but the company regards the plan thus far as purely experimental. The president states:

"We do not discriminate in our employment of labor; politics, religion and organizations have nothing whatever to do with our employment of men. We do

ask that they be fitted for the position which they are seeking, by prior experience and training."

**SHUTTLEWORTH BROS. COMPANY.**

**RUG MANUFACTURERS. AMSTERDAM, N. Y. 1916.**

The company announces that on July 1, they will pay a bonus of from one to five per cent to employees of the plant. This distribution will be made semi-annually, on July 1 and January 1, of each year. On July 1, of this year all men and women employed in the plant for a period not less than one year will be entitled to a bonus for the preceding six months' work.

Those employed by the concern for a period of one year will receive one per cent of their total wage during that period; for two years, two per cent and so on up to five years service. Those in the employ of the company five years or more will receive a bonus of five per cent.

**ERNEST SIMONS MANUFACTURING COMPANY.**

**MANUFACTURERS OF SHEETS, PILLOW CASES, ETC. PORT CHESTER, N. Y. 1910.**

All operatives who have been continuously in the employ of the company through the calendar year receive, on the next ensuing February 15, a bonus of 5% of the wages earned during that period. Of the 800 employees about 600 participate. If the business does not warrant a 5% distribution a smaller amount will be paid if possible. In 1915 no distribution was made on account of relatively small profits earned. In February, 1916, there was a 5% distribution among 900 employees. An official of the company makes the following comment on the plan:

"We are inclined to the belief that there is a slight increase of loyalty and that thrift is somewhat encouraged but find no diminution of cost to manufacture. \*

\* \* We consider this distribution a good investment, —not so much that our employees are any more loyal, but we think they feel that they are somewhat interested

in the work and that this interest redounds to our benefit."

**ALEXANDER SMITH AND SONS.**

CARPET MANUFACTURERS. YONKERS, N. Y. 1911.

Employees who have been in the service of the company for ten or more years receive semi-annually an amount equal to 10% of their earnings for the last preceding six months. Those in its service between five and ten years receive a bonus equal to 5% of their earnings for each six-month period. It is reported that about \$600,000 has been distributed since the inauguration of the plan, the last semi-annual payment being about \$75,000.

**SMITH, TAYLOR AND COMPANY.**

**MANUFACTURERS OF CHILDREN'S CLOTHING. BOSTON, MASS.**

At the end of the year, employees are given a bonus for regular and prompt attendance at work. The bonus is 5% on wages, for those in the firm's employ before April 1, of the given year, and 4% for those beginning work between April 1 and June 30. Employees who are late one minute during the week lose the bonus for that week, and, except for the six days given as vacation they must not be absent more than twelve days during the year for any cause.

The company has found that the plan has been of service in helping keep employees during the rush seasons, and has generally increased the efficiency of the force, but finds that only about one-third of the employees secure the bonus.

**SOLVAY PROCESS COMPANY.**

SYRACUSE, N. Y. 1888.

The executive officers, foremen and sub-foremen share in a profit distribution proportional to salaries and based on the amount of dividends paid to stock-holders. Participants are divided into three classes.

Members of the second group receive double, and members of the third group receive three times the proportion paid to members of the first group. Eligibility to these classes depends upon the nature of the work performed, length of service and record of the employee.

In addition, a bonus plan was put into effect in 1910 whereby all employees not sharing in the percentage of profit plan were given a certain sum depending upon the amount of salary and length of service. Employees in the service of the company for two years receive 2 per cent of their salary, and the rate increases up to 6 per cent for those who have been with the company ten years or more.

With reference to the practical effects of the plan, the company states:

"This plan puts a premium on length of service and has reduced the number of changes in the working force. The men, we believe, are benefited by it, because by receiving a lump sum once a year, they are more likely to have this money available to make payments on obligations, to buy real estate or make investments than if it had been necessary for them to save an equal amount out of their weekly wages during the year."

#### E. D. STARBUCK AND COMPANY.

DRY GOODS AND CARPETS. SARATOGA SPRINGS, N. Y. 1914.

About 35 employees, not including officers of the company, share in a semi-annual profit distribution based upon wages and length of service. The announced intention of the company was to give for the first six months of the year a bonus of 1% of the total sales, distributed according to salaries, and for the second six months a share in the profits, not determined in advance, but guaranteed to be not less than 1% of the sales. Only those who have been in the company's employ six months are eligible to participate. The president of the company considers the plan a success.

## STAR-PEERLESS WALL PAPER MILLS.

JOLIET, ILL. 1914.

All employees who have been in the continuous employ of the company for a period of twelve months, barring necessary and excusable absence, and barring the customary brief lay-off during shut-down following sampling, receive a sum of money equivalent to 1 per cent of the total amount paid them in compensation during the period named for each year of service with the company. That is to say, an employee of one year's service would receive 1% of his year's wages, one of two years' service 2%, and so on until a maximum of 10% for ten years or more of service is reached.

All factory employees are included in the plan; but not salesmen, their compensation being based upon results secured.

Questions which may from time to time arise, such as reasonableness of an excuse for absence, length of time in service, etc., are submitted to a board of arbitration, composed of three members, one from the office, one from the superintendents, and one from the mill.

In outlining the plan to its employees the company said:

"It is an established fact that a spirit of hearty coöperation between employer and employee is productive of the best results in any business, not only to the employer, but to the employee as well, for the success of the employee is as certainly dependent on the success of the enterprise, as is the success of the employer.

"The cost of this reward of merit to the company will be a very considerable amount of money. The ability of the company to give you this money is dependent upon a maintenance of the success which it is at present achieving. Should this success diminish, the expenditure of this sum might be a hardship upon the company. For this reason we reserve the privilege of amending or entirely withdrawing the proposition, if circumstances at any time, in our judgment, render it advisable to do so."

## THE STAR PIN COMPANY.

SHELTON, CONN. 1916.

In honor of its fiftieth birthday, the company which employs something like 500 hands paid a bonus of ten per cent to all who have worked for the company for ten years or more.

Bridgeport (Conn.) Telegram, Feb. 25, 1916.

## PAUL STEKETEE &amp; SONS.

WHOLESALE DRY GOODS. GRAND RAPIDS, MICH. 1903.

A cash bonus is distributed to all employees who have been employed for 5 years continuously after taking the annual inventory. The amount of bonus is based on the actual salary they have received during the preceding year. The percentage is optional, depending on the profits made. The minimum amount paid thus far is 5%, and the maximum amount 10%. Every employee is included in the plan. Average number of employees is 220—of these 78 received a 10% bonus on January 20, 1916, for the year 1915.

The company reports:

“We are not entirely satisfied. We would like to find a satisfactory plan to reward efficiency and merit, as well as faithfulness. Our present one is not comprehensive enough and it permits many to have a bonus who are not really entitled to reward as much as others who are not included in our present plan. We heartily believe in the profit-sharing plan in which all who are entitled to it have a fair chance.”

## JOHN B. STETSON COMPANY.

HAT MANUFACTURERS. PHILADELPHIA, PA. 1898.

The company has in effect several plans in the nature of extra compensation above regular wages. The plans have been changed somewhat from time to time to meet the special conditions of different departments, but in general they may be classified under three heads—a Christmas distribution, a bonus for continuous services,

and a stock allotment plan. The Christmas gifts are made on the basis of the year's record of the employees, and consist of cash, commodities, building association stock, life insurance policies and common stock of the company.

The bonus for continuous service was originally 5% on annual wages for employees, in one department, who remained with the company a full year, but for the past eight years it has been 20% and applies to nearly all departments. During the first year of this plan about 30% of the employees in the department affected worked steadily through the year, while during the past seven years practically all the employees of the department, numbering 1,000, have earned the 20% bonus. The company states that this bonus has in no way affected the regular wages, which have been increased more than once since the beginning of the bonus system.

Since 1902 an annual allotment of stock has been made to deserving employees, at the discretion of the president. For this purpose 5,000 shares were set aside in charge of five trustees. Any stock allotted to an employee is held by these trustees for fifteen years before final delivery. No payments towards its purchase are required of the employee, but the stock is credited with all dividends declared, less 5% per annum on the unpaid balances from year to year. The stock being allotted at par and the dividends being now at the rate of 25%, the stock is fully paid for in about five years and thereafter the employee receives the full benefit of the annual dividends. If an employee so desires he may withdraw, for his personal use, one-third or less of the dividends applying to his stock in any one year instead of having the full amount credited towards its purchase.

Employees to whom stock is allotted are required to sign an agreement in which all the terms and conditions of the plan are set forth. The company reserves the absolute power to discharge an employee, with termination of all his rights under the agreement, except that he is

paid in cash and not in stock the amount to his credit on the company's books. Where employment is terminated by physical or mental inability of an employee to perform his duties, however, the stock or cash held by the trustees to his credit is delivered to him, or in case of the death of an employee it is delivered to his personal representatives.

The stock has now a market value of about \$400. per share and the total allotment to employees thus far is worth approximately \$2,000,000. There are upwards of 4,000 employees, of whom about 800 have been allotted stock under this plan.\*

SAMUEL STEVENS COMPANY.

WHOLESALE GROCERS. COLUMBUS, OHIO. 1912.

A percentage of annual wages, equal to the rate of dividend on common stock, is paid at the end of the year to employees who have been in the service of the company continuously for twelve months. There are about 38 employees, of whom 20 participate at present. All employees of a year's standing are eligible, except the office and sales force. Employees who resign or are discharged forfeit all claim to a profit-sharing dividend on the wages earned during the year in which they leave. In case of death of an employee, his estate receives the same percentage on the wages earned by him during the year as he received on his wages for the preceding year. The treasurer of the company says:

"We adopted the plan with the view to increasing the efficiency of our force by eliminating frequent changes and inducing greater interest in the business by prompt deliveries and caring for stock, and we have found the results very satisfactory."

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\*Considerable publicity has been given to a strike affecting one department only of this company (March, 1916). Interest was keen because some of the men were stockowners. The impression that the dispute was due to the discharge of a man who tried to organize the employees is erroneous. Also it had no relation to the profit sharing plan.

## THREE-IN-ONE OIL COMPANY.

RAHWAY, N. J. 1904.

A profit-sharing bonus is paid to employees each year based on their individual annual earnings. In some years 5% has been paid; in others 6%. Beginning with 1913, an additional distribution of 4% has been made to those who have been with the company five years or more.

## TRACY LOAN AND TRUST COMPANY.

SALT LAKE CITY, UTAH. 1902.

A cash distribution is made at end of each year, according as each employee, in the opinion of the president, promotes the growth and development of the business and renders efficient service at each individual desk, and relieves and assists his or her superiors. The president keeps a record covering every three months throughout the year of the percentage of merits and demerits of each employee, "and no employee knows when he receives his check whether he is to receive one dollar or several hundred dollars."

The annual cash distributions have increased yearly from \$500 in 1902 to \$6,115 in 1913, and have been made in addition to a salary increase for every employee during that period. There are about 25 employees.

The president of the company considers the plan an unqualified success.

## TWEEDY SILK MILLS, INC.

DANBURY, CONN. 1914.

A share in the profits, not determined in advance but varying according to net earnings from year to year, is distributed among the employees in proportion to their annual wages. The rate of this dividend on wages has been 10% during the two years since the plan was put in operation. The distribution affects all employees, including heads of departments.

**UNITED STATES STEEL CORPORATION.**

(See Stock Ownership Plans)

**SAMUEL VALENTINE COMPANY.**

SHENANDOAH, PA. 1916.

A bonus of five per cent on earnings is to be paid to all employees provided they have been in constant employment six months or more. The bonus will be paid about Christmas time. The notice will go into effect February 28.

Shenandoah (Pa.) Herald, Feb. 25, 1916.

**VULCAN PLOW COMPANY.**

EVANSVILLE, IND. 1908.

All factory foremen and workmen who have been employed for more than six months participate in a bonus distribution in amounts ranging from \$10.00 to \$100.00.

The average number employed is 125 men, who receive an average of \$45.00 each per year. The distribution is in cash by check and is based on wages received, length of service, and general efficiency.

Executives, office employees and salesmen do not as a rule participate in the annual bonus distribution, but receive increases in salary, as business conditions warrant.

The company states that the plan has proved quite satisfactory to employees and to it. There is fostered a spirit of loyalty, good will and coöperation that is highly desirable. No change in the plan is contemplated.

**WASHBURN-CROSBY COMPANY.**

FLOUR MILLERS. MINNEAPOLIS, MINN. 1914.

The company gives those employees who have been in its service for one year a check for \$25 to start an account in a savings bank. At the end of the following year the company gives a check not exceeding \$25, equivalent to half the net increase in the employee's bank balance in excess of the original \$25.

About 625 men were eligible when the plan was introduced, and the company states that "a great many men

started savings accounts with the \$25 and have continued to put additional funds in the bank since receiving the special checks. . . . Our whole desire is to encourage in a substantial manner those men who are efficient, loyal, responsible, and by their good work help to build our company along honorable, fair-minded and straightforward lines."

**WEINSTOCK, LUBIN & Co.**

**MERCANTILE ESTABLISHMENT. SACRAMENTO, CAL.**

During the past twenty-five years or more the buyers or heads of departments in this store have been paid a dividend out of the net earnings of their several departments. It is based wholly upon the net profits of the department and not upon wages or length of service. The company considers it a successful method for enlisting the best efforts of the department heads, of whom there are about twenty.

**WELLS BROTHERS COMPANY.**

**MANUFACTURERS' DIES AND SCREW CUTTING MACHINERY.  
GREENFIELD, MASS.**

In the company's plant there is an organization known as the "Old Guard", composed of all employees who have been with the concern continuously for ten years or more. They receive a yearly bonus, the amount of which is based upon length of service and without regard to regular remuneration.

**WESTERN WHEELED SCRAPER COMPANY.**

**AURORA, ILL. 1911.**

It is the policy of the company, when it has a prosperous year, earning a fair dividend for the stockholders, to make a distribution among all the employees who have been on the pay roll for a year or more, from the president down to the least important laborer, aggregating about 850 employees.

Three per cent on the annual salary of each employee was paid during the years 1911, 1912 and 1913. No distribution was made in 1914.

The company states: "We believe this distribution has helped to keep our employees on the roll permanently and prevented the frequent transfers of people among different manufacturers in this territory. Our employees are able to judge whether the volume of business is sufficient to earn dividends for the stockholders so that there was apparently no ill feeling when we were obliged to omit the distribution in 1914 and do not expect that there will be this year (1915). On the whole, we are quite well satisfied with the results of this plan up to this time."

**WILLIAMS FOUNDRY AND MACHINE COMPANY.**

AKRON, OHIO. 1912.

An appropriation is made each year for the purpose of paying a bonus to the employees. It is not a fixed percentage of the profits but a sum determined by the management according to what it believes can be afforded. At the last distribution in 1915, the sum of \$2,200 was divided, partly to those who had been with the company more than thirteen months, in proportion to length of service, and partly according to the number of hours worked during the preceding year, irrespective of earnings. Salaried foremen did not share in this distribution, but in 1915 they were given a cash present of \$40 each.

**WOLVERINE COPPER MINING COMPANY.**

**MOHAWK MINING COMPANY.**

KEARSAGE, MICH. 1915.

In July, 1915, the companies paid their employees, to the number of about 1,100, a cash bonus of 5 per cent on their June wages, and announced unofficially that this distribution would continue monthly so long as copper remained above a certain price. In February, 1916, the bonus was increased to 10%.

The general manager states that the plan has met with considerable unexpected favorable comment and bids fair to be successful, particularly when market conditions are uncertain.

**YALE AND TOWNE MANUFACTURING COMPANY.  
HARDWARE. STAMFORD, CONN.**

A limited number of those holding responsible positions in the organization for a number of years received, in addition to their stated salaries, a certain share of the profits in excess of interest on invested capital.

This plan, although regarded as a success, was discontinued because it was concluded that it would be better to have those men acquire stock holdings in the company, and this investment arrangement was put into operation in 1914. The stock is offered to them below the market price. This is regarded as a wise means of interesting more deeply in their work, the heads of departments, to whom it is limited, not only for their own selfish ends but because it will bring about better results for the corporation as an entity.

Many years ago, the company adopted a system called by it "Gain Sharing", under which certain groups of employees participated in the reduction of costs as they were effected (described in paper by Henry R. Towne, the President, on "Gain Sharing", in Vol. X of the proceedings of the American Society of Mechanical Engineers, 1889). The plan was used successfully for several years but was replaced by methods of piece-work or the "Taylor System" of scientific management, under which the workmen were rewarded for increased efficiency by increased compensation, according to the company's statement.

On March 3, 1916, the company announced that more than \$35,000 would be paid to the workmen in bonuses March 15, and a similar distribution in April. There are 5,500 employees at the local plant, to be affected by this distribution. This has no connection with the "Taylor

System" of payment but is a gratuity or gift due to unusual conditions in the labor market.

### COÖPERATIVE PURCHASING PLANS.

There are, in addition to the above described forms of special distribution, a number of schemes which provide in one form or another for the purchase of supplies by employees, either at cost or at a discount, the net result being equivalent to an addition to wages, so far at least as the employee is concerned. Two enterprises of this character of especial interest are the following:

#### PHILADELPHIA RAPID TRANSIT COMPANY.

PHILADELPHIA, PA.

This corporation promoted the organization of an employees' Coöperative Beneficial Association having a variety of functions, one of which is to enable the members, through a cash coupon system, to purchase goods at a discount of 8% granted by more than one hundred merchants of the city. Of the 10,000 employees of the company, about 8,000 are members of the association and the joint purchases exceed \$4,000,000 per annum.

The chairman of the company, in an address to the association members in 1912, when this plan was started, acknowledged that the wages paid were low but expressed the belief that through the operation of a new wages fund plan, they would be made higher than elsewhere. Two years later, it was stated on behalf of the company that the maximum wage to motormen and conductors had been increased from 23 to 30 cents per hour and that nearly one-half of the employees were receiving the maximum rate.

#### VERMONT MARBLE COMPANY.

PROCTOR, VT.

This is another plan of economical purchasing, unique in character, and dating from the year 1903. All the

profits of the so-called "coöperative stores" maintained by this company, over and above rental of buildings and 4% on the capital invested, are distributed annually in cash to such employees of the company as are customers of the stores in proportion to the amount of their purchases.

This in effect amounts to selling the goods to employees at cost, and to that extent constitutes a gratuity to such employees as may consider it advantageous to avail themselves of the opportunity in preference to trading at other stores.

It is stated that the only criticism of the plan has arisen from the fact that the dividend is less in some years than in others, which is not always understood by those who do not take into consideration the changes in business and market conditions. The company has about 3,000 employees and the distribution or rebate in at least one year has been as high as \$36,000.

#### STOCK OWNERSHIP PLANS.

Plans for interesting workingmen in the ownership of stock in the company by which they are employed are of several types. In some cases, the corporation offers its stock to employees at less than the current market price and accepts payment on the instalment plan, charging interest on the unpaid balances and crediting dividends towards the purchase account.

In others, following out the same idea, there is given in addition a bonus in consideration of not disposing of the stock or leaving the service of the company for a given term of years.

In still other instances, stock ownership is accomplished in part by payments made by the employees and in part by special credits allowed by the company towards the purchase of the stock; and in some cases the employees pay nothing, the stock being credited to their accounts and held for a term of years, when it is given to them outright.

Close analysis of a few stock ownership plans, commonly referred to as forms of profit sharing, reveals no actual profit distribution or expense on the part of the company, other than is involved in the bookkeeping arrangements for the receipt and crediting of partial payments.

Types of each of these plans will be found among the following analysis:

**AMERICAN LIGHT & TRACTION COMPANY.**

See Chapter on Percentage of Profits.

**AMERICAN TELEPHONE & TELEGRAPH COMPANY.**

NEW YORK CITY. 1915.

Shares of stock of the company are sold at \$110 per share to any employee who has been for two years in the service of the company, or of any subsidiary company which accepts the plan. Employees may purchase one share for each \$300 of wages, but in no case may they purchase more than ten shares. Payments must be made at the rate of \$2 per share per month, which is deducted from wages. Interest at 4% is charged on unpaid balances, while the dividends (which have averaged 8%) are credited as payments on the stock. No employee may alienate or pledge his stock until it is fully paid for.

If he leaves the company's employ his purchase-agreement is cancelled and the net amount paid in is returned; provided, that if he leaves after March 1, 1917, he may, if he chooses, pay the balance due on his stock and take it up. The same course is followed with respect to the heirs of employees who die in the company's service.

Over 30,000 employees have purchased and are paying for more than 100,000 shares of stock.

**ATLAS POWDER Co.**

See Special Distributions.

**BAKER MANUFACTURING COMPANY.**

**WINDMILLS, PUMPS, CYLINDERS, TANKS, GASOLINE ENGINES,  
FEED GRINDERS, PUMP JACKS. EVANSVILLE, WIS. 1899.**

The net profits of the company, after certain specified payments are made therefrom, are divided between the Preferred Stock and the "honorary" employees in the proportion that 5% on said stock bears to the wages of the employees. The "honorary" employees are those who have been in the service of the company 4500 hours during 100 consecutive weeks. They are supposed to receive the prevailing rates of wages as a partial remuneration, and the extra payment out of profits is termed the "remaining wage".

The sum available for this extra payment to Preferred Stock and honorary employees is whatever remains of the net profits after a 5% dividend has been paid on both Preferred and Common Stock, \$5 paid into a stock purchasing fund for every share of stock on deposit with the company, and 10% of the balance added to the sinking fund. The company agrees to purchase an employee's stock whenever the owner requests it if there is money in the stock purchasing fund to purchase with. The distribution to employees is 90% in Common Stock and 10% in cash. The company requires all employees to deposit their Common Stock with it, giving the company the first opportunity of purchasing should they want to sell, as well as the right to purchase the stock at the market price if the owner enters the employ of a competitor.

The president of the company states: "In establishing profit sharing, it was our idea first to return to capital substantially the same earnings that past experience had shown it could earn, and to offer to employees the increase in earnings that they could effect.

"A 10% increase in the output of employees is more than a 10% increased earning, as the fixed charge does not increase in proportion to the output of the employees. An employee who is using his head to increase his production in every way possible, as a rule, requires

little or no additional room to work in and less of a foreman's time. In other words, an employee who is interested, is producing more with less overhead and he brings the overhead percentage down. This results in a larger increase in earning than in actual production.

"Another point in favor of profit sharing is that it makes capital much more secure. It is an almost positive preventive of strikes. It increases the length of time that a man will stay in your employ and, as a rule, his efficiency increases with his years of service, and it certainly lessens the ill-will between the management and employees and between the foremen and employees."

"Of course, we do not regard our plan as unqualifiedly a success but it has operated, in most respects, satisfactorily."

In May 1914 the company employed 119 men, 70% of whom are stockholders. During the past sixteen years the company states that the plan has resulted in adding from 28% to 120% to the wages of the stockholding employees.

BELLE CITY MALLEABLE IRON COMPANY.

RACINE, WIS. 1913.

This is a stock participation plan, introduced very largely with the motive of encouraging thrift among the employees. It applies to heads of departments and the rank and file. Within ten days of the original offer, \$60,000 worth of Preferred Stock had been subscribed for, or about double the amount the company had expected would be taken up within the first three months. Nearly one-third of the employees joined in the subscription and among these were about one-fourth of all the Hungarians and Italians, respectively, in the company's employ. A representative of the company makes the comment: "It made quite a difference in one's feeling in going through the plant to know that every third man had an interest as a stockholder in the company, in addition to his daily wage."

The company agreed to pay employees who took this 6% stock an extra 2% dividend on the stock subscribed for, during a period of five years. Payment was made for the stock at the rate of \$1.50 per month per share and interest charged on deferred payments at the rate of 5%, so that the stock received a net credit of 3% per annum during the five years.

The \$1.50 per month, plus the dividends and extra credit over the interest rate, would pay for the stock in a little less than five years. Employees who resign are not required to sell their stock back to the company and the plan is practically without coercive reservations. Such reservations, in the opinion of the same representative, "frequently seem to vitiate a great deal of the good that such a plan is capable of developing in the men."

This representative states further that he has talked with more than forty different railroad employees, all union men, and, with one exception, "all were of the opinion that such a plan as has been put into operation by the Belle City Malleable Iron Co. would provide an opportunity for the men to place their savings in the business in which they are working and with which they are familiar and would prove an incentive for them to save." One street car conductor is quoted to the effect that "so many of the men, immediately after pay day, spend their money for drink and if something could be done to interest them in saving and applying against the purchase of stock, it would be a great benefit to them and their families."

The company regards the plan as entirely successful.

**BLOUNT PLOW COMPANY.**

See Special Distributions.

**BOSTON CONSOLIDATED GAS COMPANY.**

See Percentage of Profits.

**J. G. BRILL COMPANY.**

See Special Distributions.

COMMONWEALTH EDISON COMPANY.  
CHICAGO, ILL.

Any employee who has been in the service of the company for one year may make subscriptions of 3% or 5% of his salary to a savings fund, and the amount deposited by him will draw interest at the rate of 6% compounded. Payments must be made within four days after each pay day. At the end of five years the employee has the option either of taking out his deposits with accrued interest or taking it in the form of stock at \$120 per share.

The stock nearly always sells above this figure and almost invariably the employees take out their savings in this form. If a subscriber leaves the company's service, or is discharged, or wishes to discontinue his subscription, the amount he has paid in is refunded, with interest. The Company reports: "We regard it unqualifiedly as a success."

COMMONWEALTH POWER, RAILWAY AND LIGHT COMPANY.  
NEW YORK CITY. 1916.

On January 15, the company announced a plan to aid its employees to purchase Common Stock of the company at \$60 per share. The offer was extended to all employees, including heads of departments and the rank and file. The plan became effective February 1, and of the 5,500 employees 1,300 have entered subscriptions.

Payments on the stock are to be made by deduction of \$1 per share per month from the wages of the subscribers. Interest on unpaid balances is charged at the rate of 5% per annum, and dividends on the stock are credited to the purchase account. For the past three years the dividends have been 4%, and on this basis the monthly payments by the subscribers plus the dividends and less the interest charges will fully pay for the stock in 1920, at which time the total amount withheld from the employee's wages will have been \$49.63 per share. At the price at which the stock is offered to employees

the actual dividend yield is 6 $\frac{2}{3}$ %. An employee may subscribe for no more than two shares for each \$300 (or fraction thereof) of his annual wages. The stock is not delivered to the employee until fully paid for and meanwhile is not transferable.

In case of the resignation or death of an employee, settlement will be made by delivery of as many shares of stock at \$60 per share as the net amount paid in and accumulated on the account will purchase, with check for any balance remaining.

Subscribers may reduce their subscriptions and have the net amounts paid in applied to the purchase of shares in full.

To assist employees in understanding the plan, tables are included in the announcement showing the amounts that would be deducted from wages, the dividends to be received, the interest charged, and the equity acquired from quarter to quarter until 1920 on the purchase of from one to twenty shares of stock.

G. C. CORNWELL.

GROCERY FIRM. WASHINGTON, D. C. 1914.

A certain amount of stock of the company is allotted to old and faithful employees, to show the firm's appreciation of loyal service. Double dividends are paid on this stock, one portion going direct to the employee and the other to four trustees who credit it towards the purchase of the stock. When the stock is fully paid for in this manner, it is delivered to the employee. There are about 75 employees, white and colored, of whom 11 at present participate in this distribution. The company considers that the plan has been successful from the standpoint of moral effect, but that the financial results have not been as great as expected.

CRANE COMPANY.

See Special Distributions.

## CUSHMAN BAKING COMPANY.

NEW YORK CITY. 1915.

The company is understood to have set aside a certain amount of its common stock, which employees may purchase at \$45 a share. Employees may subscribe \$25 down and the balance in three years, with interest at 5% on the unpaid balance.

## THOMAS DEVLIN MANUFACTURING COMPANY, INC.

MANUFACTURERS OF MALLEABLE IRON FITTINGS.

(FACTORY: BURLINGTON, N. J.) PHILADELPHIA, PA. 1905.

Upon payment of \$1.00 a week, employees who render "continued and faithful service" and who earn \$10 per week or over, receive dividends upon \$500 worth of stock of the company, for a term of five years. As soon as the cash payments and earnings of the stock amount to \$100, a certificate of stock is issued, covering such amount. Same arrangements are in force, whereby employees who pay \$2.00 a week receive dividends on \$1,000 worth of stock. Some of the employees own \$3,000 to \$4,000 worth of stock.

An official of the company states that the plant was moved from Philadelphia to Burlington, N. J., largely on account of troubles with the moulders' union. The stock-ownership plan established for the new employees at Burlington was offered to the remaining force at Philadelphia, but the men were suspicious and refused to accept it.

The company reports that the plan has worked very successfully with a majority of the employees, but that in the case of a certain proportion of the employees very poor results have been accomplished. When these employees have paid in \$50 or \$60, they are accustomed to leave the company in order to draw out what they have paid in.

DU PONT DE NEMOURS POWDER COMPANY.  
WILMINGTON, DEL.

An opportunity is given each year to all employees to buy Preferred Stock on the instalment plan a certain agreed sum being deducted from the monthly salary. The number of shares that may be bought is in proportion to the amount of salaries. Employees who remain in the service for five years are allowed a bonus of \$3.00 a year.

Employees who have done some particularly meritorious work are given stock, which is held in their names. When the dividends on a man's stock amount to the purchase price of a share of stock it is given to him and not before.

Since April, 1915, a cash bonus of 20% of salaries has been given at the end of each month to salaried employees whose work is perfectly satisfactory in every respect. The company has announced that this bonus will be continued throughout 1916.

In October, 1915, at the time of the change of the E. I. du Pont de Nemours Powder Company to E. I. du Pont de Nemours & Company, of Delaware, with \$245,000,000 capital, a distribution of two thousand shares of stock of the old company was made to the large office force, in reward for faithful service, the value of this stock being about \$1,600,000.

DURANT-DORT CARRIAGE COMPANY.  
FLINT, MICH. 1915.

Heads of departments are permitted to acquire stock in the company by giving a note in payment, with the stock as collateral. The note is paid from the earnings on the stock. Another method is provided by setting aside a certain amount of stock on which dividends are paid, the stock being delivered to the employee at the end of five years if he has remained in the company's service during that period.

To all other employees a quarterly cash distribution is made, based upon length of service. Between 30 and 40 of the 100 employees are at present entitled to participate in this distribution.

The company states that it sees no reason why the plan is not a success, "as it provides periodical revenues for employees who have been faithful for a term of years."

#### **EDISON ELECTRIC ILLUMINATING COMPANY OF BROOKLYN.**

See Percentage of Profits.

#### **FIRST NATIONAL BANK OF CHICAGO.**

CHICAGO, ILL. 1903.

For a number of years, this institution has had in force a plan under which employees may purchase stock of the bank within ten points of the market price. If desired, the money may be borrowed from the bank at the rate of 4 per cent for such purchases and repaid in instalments of \$5 a month for each share.

The president, James B. Forgan, says in telegram of March 27, 1916:

"There are now 776 employees, of whom 130 are availing themselves of the opportunity. The plan was put in operation in January, 1903, and is limited to members of the bank pension fund. All clerks eighteen years and over, of whom there are 695, are members. The plan is a success."

#### **FROST GEAR AND FORGE COMPANY, and GENERAL ELECTRIC COMPANY.**

See Special Distributions.

#### **THE GLOBE-WERNICKE COMPANY.**

**MANUFACTURERS OF BOOKCASES AND CABINETS.  
CINCINNATI, OHIO.**

The company assists its most reliable employees in the purchase of common stock of the company.

**THE GOODYEAR TIRE & RUBBER COMPANY.**  
**AKRON, OHIO.**

Heads of departments and branch and district managers of the company are permitted to acquire common stock at par, on the installment plan. The amount allowed to each man is determined by the management, largely according to length and merit of service. The plan affects some 235 employees, in a total force of about 8,500.

The company states that all employees who are benefited by the opportunity to purchase stock appreciate it and "undoubtedly the service rendered by them is on a higher plane than it would otherwise be."

At times during rush production, the company has heretofore paid a 5% bonus in some departments for steady attendance, but it did not find the plan successful and it has been discontinued.

**GREAT NORTHERN RAILWAY COMPANY.**

ST. PAUL, MINN. 1900.

Employees other than day laborers, who have been in the service of the company continuously for at least three years and whose yearly salaries or wages do not exceed \$3,000, are enabled to invest their savings with the company in the following manner:

A separate company was formed, known as the Great Northern Employees' Investment Company, which subscribed for stock of the Great Northern Railway Company at par, to the amount of \$1,188,000. Employees eligible under the above conditions may subscribe for certificates in the Investment Company upon payments of \$10 or multiples thereof, but not more than \$5,000 worth may be purchased by any one employee.

Interest is paid to the holders of these certificates at the same rate per dollar as the dividends on Great Northern Railway stock held by the Investment Company. This dividend rate has been 7 per cent for many years.

All expenses of management of the Investment Company are paid by the Railway Company. The certificates are not transferable. The company may demand surrender of a certificate at any time and will thereupon pay to the holder its face value, together with any accrued dividends payable before the date of redemption fixed in the demand for surrender. An employee who has completed his subscription for a certificate is not permitted to reinvest until after the expiration of three years. The company will refund upon ten days' notice the principal of any certificate held by an employee, together with all dividends declared and payable thereon; but employees who cash their certificates under this privilege are not permitted to subscribe again, the intent of the plan being that employees shall retain their holdings so long as they are in the company's service. Within six years subscriptions had been received for nearly the entire allotment of stock.

**HARSH AND EDMUNDS SHOE COMPANY.  
MILWAUKEE, WIS. 1914.**

Employees may buy stock of the company on the instalment plan, paying from 50 cents a week up, and upon this stock they receive 6% interest and a graduated share of the profits of the business. The offer is open to all efficient employees, regardless of length of service. The company has between 400 and 500 employees, more than half of whom have applied for stock under this plan. Payments made towards the purchase of stock may be withdrawn at any time. The company states that the plan means to the manufacturer "that he does not see his men loafing, tools are not destroyed and better work is turned out."

**H. P. HOOD & SONS.  
DISTRIBUTORS AND PRODUCERS OF MILK AND DAIRY  
PRODUCTS. BOSTON, MASS. 1914.**

A special issue of \$200,000 worth of Preferred Stock of the company, paying 7% dividends, is available for

purchase by employees at \$10 per share par value. This stock has voting power and may be purchased by any employee who has been in the service of the company for three months or longer. The company reserves the right to repurchase the stock if any subscriber leaves its employ, and in case of death of an employee the stock will be redeemed at an advance of 25 per cent above its par value.

For the past eight years the company has also maintained a somewhat complicated system of bonuses, based upon the individual efficiency of employees as it affects the financial returns of the business.

#### ILLINOIS CENTRAL RAILROAD COMPANY.

CHICAGO, ILL. 1893.

In response to the expressed desire of many officers and employees of the Illinois Central Railroad to invest their savings in stock of the company, former President Stuyvesant Fish in 1893 announced a stock purchasing plan upon the following lines:

Employees may purchase one share of stock at a time and pay for it in instalments of \$5 or multiples thereof. On these payments interest is credited at 4 per cent, and when the total credit of payments and interest equals the subscription price of the stock it is issued to the purchaser, who may then, if he wishes, begin the purchase of another share. This stock is transferable and has full dividend and voting rights.

On the first of each month, the company quotes to employees the "fair market price" at which applications for purchase of stock will be accepted during that month. If a subscriber makes no payments on his stock for twelve consecutive months, no further interest is allowed on his account, but the sum to his credit is returned to him upon application. Employees who desire to cancel their subscriptions before completion may have their payments returned with accrued interest.

Subscribers are expected to make their first payments from the first wages which may be due them. They may authorize the paymaster to retain from their wages monthly instalments on the purchase of the stock. Employees who leave the service must either pay in full for the stock subscribed for, or accept in cash the deposits they have made, with accrued interest. Employees who have not subscribed on the instalment plan may, if they prefer, purchase in any one month one share for cash outright, at the price fixed for that month.

Three years after the introduction of this plan, President Fish, in a further explanatory statement to the employees, noted with much gratification "their increasing desire thus to identify their interests with those of the company". The plan is still in effect, without modification, as originally adopted.

INTERNATIONAL HARVESTER COMPANY.  
CHICAGO, ILL. 1915.

In December, 1915, the company announced a plan to assist its 35,000 employees to become stockholders and sharers in the profits. Under this plan, employees have an opportunity to purchase profit-sharing certificates in the company, payments for which are made in monthly instalments from their salaries. These certificates, it is provided, may be converted into stock at \$3 below the market value.

The profit-sharing certificates range in denominations from \$50 to \$1,000. To the payment of every employee taking advantage of the offer before March 1, 1916, the company offered to add 1% of his earnings annually. Over twenty thousand of the employees enrolled. At some works more than 90% of the shop men subscribed. The general average for all plants is over 70%. The aggregate amount subscribed is over \$5,000,000.

Interest will be paid at the rate of 5% per annum on all employees' payments and credits on their profit-sharing certificates. In addition to the annual dividends

on stock, the company also will pay to the employee an amount equal to the extra dividend which he would receive upon his stock, if the entire excess of the net profits for each year prior to 1921, over an amount equal to 6% of the money invested in the company's business during the year, were distributed pro rata to all holders of its Common Stock.

Provision is made for postponement of payments in case of illness or unavoidable lay-off. Certificates can be turned into cash at the will of the employee. The plan will terminate in January, 1921.

The company has been endeavoring for some time to devise a profit-sharing plan which would reach and benefit the rank and file of the employees and not merely the department heads and foremen. An official of the company states that the employees are eagerly accepting the new opportunity and that since the plan was adopted over 60% of the men in some plants and over 80% in others have already subscribed. This official says further that if the new system "tends to make the employees thrifty and saving and accomplishes nothing else, I believe that it will be worth all that it costs the company; but there are many other advantages to accrue to both the employee and the company through his becoming associated as a stockholder. One of the evident advantages is the independence of the employee in being able at any time to take his certificate of stock to a bank and borrow money at a reasonable rate of interest to tide him over some financial crisis."

In its monthly magazine, "The Harvester World," the company lays the new plan before its employees in a brief announcement of the essential features, with an invitation to "Join the Harvester Family Profit-Sharing Plan."

In the same number Cyrus H. McCormick, in the course of an article entitled "A New Confidence," makes the following comment upon the profit-sharing plan:

"A new feeling of confidence in the future, owing to our ability to come safely through the present crisis, has encouraged the directors to take a step which they have long been striving to accomplish. A new plan of profit sharing has just been adopted, which is intended to benefit all the employees whose incomes are the smallest and who have not before participated in our profit-sharing fund. The company is glad to announce the new plan, the details of which have just been given out, and hopes it will be received with favor by all the employees. This is a further evidence that the directors wish the employees to know that this business is their business, and that the company's interests and theirs are closely linked together."

The disposition to award "extra payments to labor" has been prominent throughout the history of this company. In 1903, at the time of the merger of the McCormick Harvesting Machine Company in the new International Harvester Company, the members of the McCormick family made a special distribution to employees who had been in the company's service during the preceding five years, amounting to 5% of the total salaries or wages they had received during that period. The distribution was in the form of stock of the International Harvester Company, held in trust for five years, with certificates of participation issued to the employees affected. The holders of these certificates were entitled to all dividends on the stock and they might at any time surrender their certificates and receive cash for the stock it represented, at par. In this manner, 14,109 shares of a par value of \$1,410,900 were distributed to 1,501 employees, besides 47 who elected instead to take life pensions offered by the company to those over sixty years of age.

In 1909 the International Harvester Company announced a profit-sharing plan, a part of which was a cash bonus distributed at the company's discretion among employees who made a satisfactory showing for the year, the other part being a stock subscription plan.

The bonus was based, in the sales department, upon increase of sales and reduction of selling expense; and in the factory organization, it was based upon increased production and decreased cost, or a combination of both. In 1911, a representative of the company stated that the bonus system had not extended far beyond the grade of assistant foreman and that all the superintendents were interested in the adoption of a system which would reach every employee. The newly adopted plan, therefore, is the outgrowth of several years of careful study on the part of the management.

The stock subscription feature of 1909 allowed the purchase of company stock by employees on an instalment plan. The amount any employee might subscribe for was limited to the amount of his annual salary, and the payments thereon were not to exceed 25% of his salary in any one year. Twelve thousand, five hundred shares of Preferred Stock and fifteen thousand shares of Common Stock were offered for sale at less than the current market price. Employees who remained in the company's service and in good standing for five years and retained their stock or interest in it were allowed a bonus of \$4 and \$3, respectively, on every share of the Preferred and Common Stock for each of the five years. When men left the company's service or discontinued paying for stock, the company continued crediting these \$4 and \$3 payments to a fund which at the end of five years was to be divided among such employees as had fully paid for their stock and remained in good standing in the service throughout that period. This plan was not renewed upon expiration, but it has been replaced by the new system announced in December, 1915.

#### INTERNATIONAL NICKEL COMPANY.

NEW YORK. 1914.

Employees are allowed to purchase stock of the company at \$110 per share by making monthly payments of

not less than \$3.00 per share, which are deducted from wages or salaries. Payments on stock are not to exceed 25% of the monthly salary. The stock must be paid for within three years and interest at 5% is charged on deferred payments.

Employees who take stock receive dividends as soon as the first installment is paid, and if they retain the stock and remain in the company's employ for five years, rendering satisfactory service, they receive an extra 5% on their stock for each of those years.

The extra compensation of employees who cancel their subscriptions by leaving the service of the company during the five years' period, goes into a fund which is distributed at the end of the period among the remaining subscribers. The number of shares for which an employee may subscribe varies according to salary and length of service, the maximum being ten shares.

In the event of cancellation of subscription, the employee receives the amount paid with interest at 5%, no credit for dividends being allowed. The company has about 4,500 employees.

#### **KEYSTONE DRILLER Co.**

See Percentage of Profits.

#### **F. P. KIRKENDALL & COMPANY.**

OMAHA, NEB. 1906.

Those who have been employed for more than one year "and who prove themselves worthy" are permitted to subscribe for common stock, the payments coming out of the dividends declared upon it. The employees are, however, charged 7% interest on unpaid balances, and may dispose of their stock only to the corporation.

The company is planning to have the men subscribe to preferred stock instead of common stock, which they think will be more satisfactory.

**LEVER BROTHERS, LIMITED.****SOAP MANUFACTURERS. CAMBRIDGE, MASS. 1909.**

This plant is a branch of an English company, and a full description of the profit-sharing plan will be found in the chapter on "Experience in England."

**MINNEAPOLIS, ST. PAUL AND SAULT SAINTE MARIE RAILWAY COMPANY.****MINNEAPOLIS, MINN. 1913.**

About one-seventh (or 2,000) of the company's employees are members of an incorporated association. This number includes men in the service of the company from the president down to track men, of whom there are two to three hundred. To become a member an employee subscribes for one share of the association's stock, valued at \$1. No member is permitted to hold more than one share. Each member deposits with the association every month \$1 or more, which is invested by the officers of the association in stock of the railroad company, or one of its subsidiaries.

Dividends are paid to members of the association each year. Members leaving the company's service are refunded the \$1 paid for association stock, as well as their deposits with the fund less their proportion of the actual expense of administration. The employees during the first year under this plan deposited about \$100,000, all of which was invested in the company's stock.

**NATIONAL BISCUIT COMPANY.****NEW YORK CITY. 1901.**

Employees are given an opportunity to invest their savings in the company's Preferred Stock upon the following conditions:

Application may be made for one share of stock by any employee and payments on the purchase price must be at the rate of \$5 or a multiple thereof. Interest at

4% is credited on these payments. When the stock is fully paid for, it is transferred to the employee, plus any excess of dividend declared in the meantime above 4% interest on the price paid by the company for the share of stock when purchased for the employee's account. Thereafter, all dividends are paid in full to the owner of the stock.

If no payments are made for six consecutive months, or if the stock is not fully paid for within two years, the company may cancel the arrangement and refund the payments actually made, with accrued interest. Employees desiring to withdraw from the arrangement may have their payments returned with accrued interest, and employees who leave the company's service must either pay up the balance due on the share subscribed for or accept the amount to their credit in cash with interest.

NATIONAL CARBON COMPANY.

CLEVELAND, OHIO. 1914.

The employees are permitted to subscribe for shares of the Common Stock of the company at the price of \$100 per share. The maximum number of shares varies in the case of each employee, according to his annual wages.

All subscriptions must be paid in not more than five nor less than three years from the date of the first payment. The payments may be made in instalments, as the employee may elect, except that at least 1% of the subscription price must be paid each month.

Dividends are credited to the accounts of the employees as in the case of regular stockholders, but 4% interest per annum will be charged at the end of each three months on deferred payments. Beginning July, 1915, it was planned to credit a bonus of \$5 per share on each share of stock, for a period of five years, if the subscriber remains in the employ of the company and holds his stock. Employees who resign or are discharged

or allow their average monthly payments to remain below 1% of the total subscription price, for three months, or cancel their subscriptions, may withdraw the exact amount paid in, with interest thereon at 4%.

NATIONAL CLOAK & SUIT COMPANY.

NEW YORK CITY. 1914.

In June, 1914, the company discontinued a percentage of profits plan (a description of which will be found under Abandoned Plans) and adopted a scheme designed to enable all those who were included under the old one, and a great many more, to become stockholders.

To each employee included in the plan a certain number of shares is allotted, based on the importance of his position. The total allotment is spread over a period of five years and only one-fifth of the total can be taken up in any one year. The stock is allotted at a price of \$25 per share, which can be paid for in monthly installments. Any one paying for a year's allotment at one time will have a certificate of stock issued to him at once. Those who complete their year's payment on the installment plan will have their certificates issued to them after the twelfth payment.

Each employee acquiring stock in this manner signs an agreement not to sell, lend, pledge or in any way dispose of the stock for five years. Anyone leaving the employ of the company may retain such stock as has been fully paid for and issued, but forfeits any rights to stock allotted for subsequent years. The company agrees to turn over to his estate, without further payments, the stock allotted to any employee who shall die before the expiration of the allotment period. The company further agrees, when dividends are paid on this stock, to credit them to the stock for the benefit of the person to whom said stock has been allotted. No interest is charged on deferred payments until after dividends are paid.

N. O. NELSON MANUFACTURING COMPANY.  
MANUFACTURERS OF PLUMBERS' AND MACHINISTS' SUPPLIES.  
ST. LOUIS, MO. 1886.

From the net profits of the company, 6% is paid as interest on capital stock and from the remainder there is divided an equal percentage on the capital stock and on the wages of employees who have been with the company six months. The dividends to employees are allowed to accumulate to their credit and are then finally paid to them in stock of the company.

The plan, since adoption, has been changed slightly from time to time. After the panic of 1903 no dividends were paid for several years, because of general business conditions. During the years when dividends have been declared it is stated that the percentage paid on wages of employees has ranged from 5% to 30%.

To prevent employees from selling their stock, the company only issues certificates after three years, and employees while in its service are forbidden to sell their stock. In meritorious cases the company buys the stock itself from employees desiring to realize on it in cash.

More than 1,000 employees participate and at present own about one-third of the capital stock. Mr. Nelson reports that "The plan has worked satisfactorily, has caused no trouble, and has undoubtedly increased the effectiveness and profits of the business."

NEW HAVEN GAS LIGHT COMPANY.

NEW HAVEN, CT. 1907.

Each quarter there is credited to the account of every employee, who had contracted to enter the profit-sharing scheme, 8% on the wages paid him for the preceding three months. This is at the same rate as the dividends paid to stockholders. All employees who have been with the company one year, except executive officers, are eligible.

When the amount credited to an employee equals the market value of one or more shares of stock in the company, a certificate representing such shares is transferred to the employee as his property to keep or sell as he may elect. An employee may, if he desires, draw out in cash funds to his credit, instead of taking stock. In such case, he receives only one-half of the amount credited in his name.

If employees are discharged for reasons other than drunkenness, insubordination, crime or destruction of the company's property, they receive their full balance. In the instances named, the balance is forfeited. Employees leaving of their own volition are paid one-half of the amount to their credit, except when a woman leaves to marry, in which case she receives the full amount.

The company reserves the right to refuse permission to enter into this contract to any employee who lacks interest in the company's welfare, and may also cancel an agreement already signed, upon one week's notice.

The company has not found this scheme an unqualified success, as an increasing proportion of shares has been sold and turned into cash by the employees. There has, however, been a noticeable increase in interest and loyalty on the part of those retaining their stock.

**PARKE, DAVIS & COMPANY.**

**MANUFACTURERS OF DRUGS. DETROIT, MICH. 1902.**

The company has twice allotted to employees 4,000 shares of its stock. The par value of the stock is \$25, but the company sold it to the employees at a low book value and practically loaned the subscribers the purchase money for five years at 5% interest. The first 4,000 shares were distributed principally to the executive staff, and the second 4,000 to the traveling salesmen and valuable subordinates in the laboratories and offices.

A great majority of the beneficiaries have paid for their stock and may have purchased more at the mar-

ket price. Between 500 and 600 of the company's 3,500 employees are stockholders. Approximately one-half the stockholders of the company are employees. The company states:

"We consider both operations an unqualified success. They have beyond question stimulated the loyalty and devotion of our employees; very few have left us to go to competition, whereas in years gone by, our establishment was a veritable nursery or training-school maintained largely for the benefit of our competitors."

**PICKANDS, MATHER & COMPANY.**

**STEAMSHIP INTERESTS. CLEVELAND, OHIO. 1914.**

The company holds in trust 2,500 shares of its stock, which may be purchased by masters and engineers at par, each master being permitted to buy from one to eight shares a year and each chief engineer from one to five. Payments must be made in monthly installments in such amounts as the subscriber fixes, except that stock must be paid up in three years. Interest at 5% is charged on deferred payments. Dividends are credited as payments on stock. Three hundred extra shares were set aside for distribution, without cost, among those subscribers retaining their shares until 1920.

The company states that it does not regard the system as strictly profit sharing, but "it is more the plan of getting our chief navigating officers, that is, the masters and engineers, interested in our property."

**PITTSBURGH COAL COMPANY.**

**PITTSBURGH, PA. 1900.**

Employees are permitted to purchase Common or Preferred Stock of the Company upon monthly payments of not less than \$1 per share. These payments are made to the Pittsburgh Coal Company's Employees' Associa-

tion, which invests the funds as they accumulate in stock of the company at the market price and holds same for delivery to the purchasers when their subscriptions are complete.

Employees who pay in more than \$1 per month are credited with 5% interest on the excess. When all the payments on stock subscribed for during any one month, plus dividends and other earnings accrued thereon, equal the average cost of all the stock purchased for the account of the subscribers of that month, the association delivers the stock to the subscribers. A subscriber who leaves the company's service may, if he chooses, keep up his payments until his purchase contract is completed. Those who default in the payment of any of the monthly installments are charged interest at 6% on the arrears, and if the default continues three months or more, the association may cancel the contract and return the subscriber's deposits with interest at 5%. The privilege of withdrawing deposits with interest at 5% is open to subscribers who wish at any time to cancel their contracts.

During the first nine months of the operation of the plan 234 employees became owners of 2,460 shares of the company's stock, at an average cost to the purchasers of \$41.36 per share. The latest report of the Employees' Association, October, 1915, shows 5,718 shares paid for and delivered and 6,414 shares under contract for delivery upon completion of the payments. Analysis of the tables showing the distribution of the stock indicates that of the 6,414 shares under contract 5,236 stood in the names of thirty-nine superintendents and one foreman, the remaining 1,178 shares being distributed among sixteen subsidiary companies, whether in the names of officers or workingmen does not appear. For a number of years, no dividends were paid on the Preferred Stock of the company, which accordingly reduced the number of employees who entered upon stock purchase contracts.

## PROCTER &amp; GAMBLE.

SOAP MANUFACTURERS. CINCINNATI, OHIO. 1887.

In the year 1903 a plan for dividends through stock ownership was inaugurated. This, with slight modifications, is in effect at the present time, and is regarded by the company so far as its business is concerned as an unqualified success. The company reserves the right to terminate the plan at the end of any fiscal year.

Employees earning not more than \$1,500 per year (except salesmen and traveling representatives) may upon application have common stock of the company purchased for their account at the market price, to an amount equal to their annual wages. This stock is held for their benefit by three trustees appointed by the directors of the company. A subscribing employee pays at the time of purchase  $2\frac{1}{2}\%$  of the cost of the stock and not less than 4% additional each year until the subscription is complete. Interest at 3% per annum is charged on unpaid balances.

Dividends on the stock are credited to the purchase account, and in addition each subscriber receives a trust receipt, guaranteeing to the holder dividends at the rate of 16% per annum upon the wages actually earned, provided he has been at least six months continuously in the service. These trust receipt dividends are credited towards the purchase price of the stock.

Employees in the service five and ten years may increase their subscriptions respectively to 125% and 150% of their annual wages, and receive trust receipt dividends of 20% in the one case and 24% in the other. Employees whose wages are raised may increase their subscriptions to an annual wage increase. Employees whose wages increase beyond \$1,500 per annum may, under certain conditions, retain their stock.

Employees who wish to withdraw from the plan in less than two years after subscribing for stock or before 35% of its purchase price has been credited to their ac-

count, are entitled only to a refund of the actual amount of cash they have paid in. Employees leaving after two years and after their credit has reached 35% of the purchase price of the stock, may withdraw their cash payments plus all dividends that have been credited to their account, provided they have not increased their payments by more than 5% of their subscription within the two preceding months in order to secure this withdrawal privilege. Written notice of withdrawal must be given. Settlement is made with employees, who resign or are discharged, on the basis of the status of their accounts at the date of termination. In payments to estates in case of death, the benefit of any increase in market value is given. Increased value accrues to those withdrawing only in event subscription has been paid in full. A guarantee is given against loss to participants in case of decline in market value.

It is reported that employees now own more than \$1,600,000 worth of stock of the company. As the plan works out, a subscription for say \$1,000 worth of stock is fully paid for in about four years and becomes the absolute property of the subscriber.

The first profit-sharing experiment of the company was simply a semi-annual distribution of cash at a certain percentage, proportionate to the employee's wages, the rate of dividend being fixed each year, and based upon the current earnings of the firm.

After the incorporation of the company, in 1890, this plan continued, and the rate of profit-sharing dividend conformed to the annual rate of dividend upon the common stock of the company.

At first the profit-sharing plan was extended to all employees, but soon was restricted to those whose wages were \$1,500.00 per annum or less. It was abandoned for the reason that nothing was accomplished towards stimulating the employees to greater effort. Very little of the extra cash was saved and the recipients came to look upon

the dividends as a regular part of their incomes, and as a justification for extravagance or dissipation.

**PUBLIC SERVICE CORPORATION OF NEW JERSEY.**

NEWARK, N. J. 1913.

The company purchased 3,000 shares of its stock in the open market and sold it to its employees upon the installment plan. Installments could be as low as \$1.50 a month, at which rate a subscription for one share would be completed in about six years. Stock cannot be disposed of until fully paid for except with the consent of the Welfare Committee. Employees are also allowed to buy stock outright on condition that it be held three years.

The company is convinced that the plan is successful, from the fact that the allotment was considerably over-subscribed.

**RAND, McNALLY AND COMPANY.**

PUBLISHING AND PRINTING. CHICAGO, ILL. 1879.

In 1879 the company began to interest the foremen and heads of departments in the business by distributing among them shares at par value, the terms of payment (largely out of dividends) being made easy; no man could hold over ten shares. This plan working well, the firm in 1886 admitted to its benefits the older and more skilful workmen.

H. B. Clow, the president, wrote March 23, 1916:

Then the stock was available for that purpose. It could be purchased by the company and sold to the employees at par. But at the present time there is no treasury stock available and the only stock that can be used for this purpose is that which can be purchased in the open market by the company and resold to employees at the purchase price. We still favor such purchases by our employees and there is now no limit as to the amount of stock they may secure.

**REINLE-SALMON COMPANY.**

**DRUGGISTS, JEWELERS AND STORE FIXTURES.  
BALTIMORE, MD. 1890.**

A profit-sharing plan was introduced in 1890, under which 50% of the yearly profits was distributed among the various heads of departments. With the increase of the business, it was found that practically all the profits were needed for reinvestment in the plant. The firm was then incorporated as a stock company and about 60% of the stock distributed among the heads of departments and a few other employees in responsible positions. Payment for the stock was to be made out of the profits of the business. The average number of employees is from 100 to 125, about 30 or 40 of whom are stockholders.

The general manager says:

"I personally do not regard this feature as an unqualified success, in comparison with a close co-partnership, as I hardly think that the average employee (unless he holds a very large amount of stock) is as much interested in the returns of his stock as he is in his fixed wages or salary, which comes to him weekly and of course upon which he depends.

"I regret to state that my efforts in getting the interested employees to take a special interest in increasing their efficiency in behalf of the company has been disappointing.

"Furthermore, under this system the employees advanced in years lose their efficiency, and it handicaps us in discharging them and getting younger and more efficient men in their places."

**REPUBLIC IRON AND STEEL COMPANY.**

**NEW YORK CITY.**

This company maintains a stock subscription plan very similar to that of the United States Steel Corporation, but applying only to heads of departments. No detailed description of the system has been issued.

## ROYAL COCOA COMPANY,

JERSEY CITY, N. J. 1915.

A bonus is given only to those of the employees, whether working in the factory or office, who have earned the bonus in excess of the regular wages paid; it is not given indiscriminately to all on a percentage system.

This bonus is paid in Second Preferred stock, from the surplus earnings remaining after dividends have been paid on all Preferred stock and 6% on the Common stock. The right to participate in the bonus is based on points awarded during the year for cleanliness, output, economy and suggestions. Employees may also purchase this Second Preferred stock outright, and those who do so are allowed a bonus which makes the percentage of income thereon equal to that paid during the year on the Common stock. The issue of this Second Preferred stock offered to employees in April, 1915, was \$50,000, all of which was subscribed for on the same day.

The company states that the plan has not been in operation long enough to be regarded an unqualified success.

## ROYCROFT SHOP.

PRINTERS, BOOKBINDERS AND MAKERS OF ART PRODUCTS.  
EAST AURORA, N. Y.

While not operating what can be strictly defined as a profit-sharing system, Mr. Hubbard's plan included the sale of stock to employees, upon which a high rate of interest was paid. Mr. Hubbard stated in May, 1915:

"As a general proposition, our conclusion regarding any profit-sharing scheme is that unless it can be so arranged that the employee feels he is getting this particular benefit *through his own effort*, (and that unless he puts forth an effort he won't get it,) there can be no complete success to the scheme. Something that is given for nothing is not appreciated."

**SPRINGFIELD PUBLISHING COMPANY.**

SPRINGFIELD, OHIO. 1913.

Preferred Stock of the company (non-assessable) to the amount of \$10,000. was offered to the employees, only for subscription. No one employee can invest more than \$500., and the money paid in bears interest at the rate of seven per cent. There are about 100 employees, all of whom may participate. No Preferred Stock can be sold outside.

**JOHN B. STETSON COMPANY.**

See Special Distributions.

**STUDEBAKER COMPANY.**

See Percentage of Profits.

**SWIFT & COMPANY.**

MEAT PACKERS. CHICAGO, ILL. 1904.

The company purchases its stock on the market for an employee when so requested, on an initial payment of 10%, taking his note for the balance, bearing 6% interest, the dividends going to the employee. No restrictions are placed upon the sale of the stock purchased by an employee, and the company does not pay any bonus in addition to the regular dividends.

About 3,500 of the 35,000 employees are stockholders. Most of these are office employees, managers, salesmen, superintendents and foremen. The rank and file of the workmen do not participate to any extent.

**J. F. TAPLEY COMPANY**

BOOK MANUFACTURERS. NEW YORK CITY.

Selected employees who have done particularly good work during the year are given Preferred Stock of the company—from one to four shares each—at Christmas time. Only a limited number of employees participate,

the object being to recognize exceptionally efficient service and hard work.

#### UNION SWITCH AND SIGNAL COMPANY.

SWISSVALE, PA. 1911.

The common stock is offered to all employees except directors and general executive officers at \$75 a share. Payments must be made in monthly installments of not less than 2% of the value of the stock, and subscriptions must be completed in fifty months. Dividends are credited on the stock after 24% of its value has been paid in. If the employee leaves his stock with the company after it has been fully paid up, he receives in addition to the regular dividend an extra \$5 per share for every year he remains with the company until \$25 has been paid on each share, thereby reducing its actual cost to \$50 per share. During the first four years under this offer, 1956 shares were sold to 450 employees, and the company considers the plan a success.

#### UNITED STATES RUBBER COMPANY AND SUBSIDIARIES.

NEW YORK CITY. 1912.

A certain sum is set aside each year for distribution among such officers and employees of the company as are selected by the executive committee. Those employees whose salaries are over \$5,000 receive 60% of their share in cash and the remainder in conditional certificates of interest in the Common Stock of the company on the basis of \$50 a share. All other employees receive their portion of the distribution in cash.

Participants receiving stock who remain with the company until 1920 and render satisfactory service until that time will receive the stock called for by the conditional certificates. During this period employees receive all dividends declared on the stock held for their account. In the event of leaving the company or being discharged such participants forfeit all right to the stock, which goes into a fund to be distributed among those participat-

ing officers and employees who remain throughout the period stated.

There is also a stock subscription plan, under which the officers and employees who receive wages above \$1,300 are permitted to subscribe for shares of common stock at \$50 a share. The maximum amount for which an employee may subscribe is determined by the executive committee, varying according to his salary and position. At least \$5 must be paid monthly on each share. Interest at 5% is charged on all unpaid balances.

All dividends paid on the stock are credited to the account of the subscriber until the stock is fully paid and issued to him. If the subscription is canceled before the stock is fully paid for, the exact amount of payments will be returned with 5% interest, no credit being given for dividends and no interest being charged on deferred payments.

To induce employees to keep their stock for at least five consecutive years, the company makes a cash payment of \$3 a share for each of the five years. Upon retaining stock for that period and remaining in the service of the company, the latter pays still further compensation from a special fund made up of forfeited stock, which is also credited with 5% interest.

#### THE UNITED STATES STEEL CORPORATION.

NEW YORK. 1903.

Under this plan, the employee purchases stock in the employing corporation, pays for the same in instalments, and, in addition to the regular dividends, receives a bonus of so many dollars per share in consideration of his not disposing of the stock or leaving the company's employ for a certain fixed period of time.

A number of the largest companies in the country have adopted this plan. The United States Steel Corporation has used it longer than has any other company and its

scheme seems to be the model in this field. Other companies which have closely followed its plan are:

United States Rubber Company;  
National Carbon Company;  
Union Switch and Signal Company;  
International Nickel Company; and  
American Telephone and Telegraph Company.

Some of the essential features of the Steel Corporation plan are:

Every year the corporation offers Preferred and Common Stock for sale to its officers and employees at cost slightly below the market value.

Subscriptions are paid in monthly instalments, to be not less than \$2.50 per share for Preferred Stock and \$1.50 per share for Common Stock. No instalment can exceed 25% of the month's salary. Interest at 5% is charged on deferred payments.

All dividends are credited to the account of the subscriber and the total of payments and dividends must fully pay for the stock within three years.

To induce the employee to keep the stock after it is fully paid up and delivered to him, a bonus of \$5.00 for each preferred share and a bonus of \$3.50 (increased to \$5.00 in 1916 subscription) for each common share are paid to the employee at the end of each year upon presentation by him of the certificate of stock to the treasurer of the company. This continues for five years.

Non-paid-up subscriptions may be cancelled, and the money which has been paid in is refunded to the employee with 5 per cent interest. Premiums are not paid to employees who cancel their subscriptions, sell their stock or leave the employ of the company. An official of the company states that:

"If there is a large advance in the market price he may figure that more money will be made by selling it than holding for the special fund."

The forfeited or unpaid premiums are kept in a fund and divided pro rata among the remaining shareholders under this plan at the end of the five-year period. For the first five-year term this fund amounted to \$65.04 per share; a notable "bonanza" for the remaining stockholders, it is true, although revealing on the other hand, the large proportion of withdrawals and cancellations which must have taken place during that period. The end of the 2nd 5-year period showed a special bonus of a little over \$19.00 per share and has been about the same each year since.

In the event of the death of an employee who has subscribed for stock and made payments under this plan, his estate receives the unpaid premiums for the full five-year period and a pro rata share of the undivided premiums at the time of his death.

The following statement is made by an official of the corporation:

"It is impossible to ascertain how many employees in addition to those yet receiving the special benefits that continue for 5 years hold stock upon which these special benefits have ceased to be paid but it is conservatively estimated that it would increase the number to about 50,000."

The reports issued by this corporation in 1915, applying to the year 1913, show the following condition:

Average number of employees .....	228,906
Number of employees holding stock in the company and receiving a bonus of \$5 per share .....	35,026
Number of shares of capital stock outstanding	8,685,836
Number of shares of stock held by employees	146,462
Salaries and wages paid to employees.....	\$207,206,176
Amount expended by company account of stock subscription plan, approximately....	\$1,000,000
Proportion of employees holding stock and receiving a bonus thereon.....	15 per cent.
Proportion of outstanding stock held by employees upon which a bonus is paid.....	1 $\frac{7}{8}$ per cent.
Cost to the company of stock subscription plan compared with salary and wage bill.. one-half of one per cent.	

On Dec. 19, 1915, there was announced in the press a special distribution of bonuses of nearly \$2,000,000 to officers, heads of departments, superintendents and minor executives. This is based on the enormous profits for the calendar year, one of the best in the company's history; and is in addition to the profit-sharing plan for the employees above described.

#### U. S. MOTOR COMPANY.

(Reported to be same as "Model formulated by U. S. Steel Corp.")

#### VALENTINE & BENTLEY SILK COMPANY.

NEWTON, N. J. 1902.

After a year's trial with a system of profit sharing to which only heads of departments were admitted, the privilege was opened to all employees. They were offered the opportunity to purchase on easy terms the company's bonds at the rate of 5 per cent interest. In addition the holders of these bonds are credited with a bonus from a fund set aside from the profits, the payment being made in cash at the end of a five-year period.

("Social Engineering." 1909. William H. Tolman, Ph.D.)

#### WARD BAKING COMPANY.

(See also Percentage of Profits.)

#### CHARLES WARNER COMPANY.

MANUFACTURERS AND DISTRIBUTORS, CEMENT, LIME, ETC.  
WILMINGTON, DEL. 1912.

Surplus profits are distributed by this company in the form of its Common Stock, which it purchases for the purpose in the open market. One-third of the net surplus earnings, after payment of 7% dividends on Preferred shares and 6% on Common Stock, is set aside for distribution among the employees.

The stock assigned to the participating employees is held for them for a period of five years, meanwhile all dividends being paid to them in cash. In the event of

death, resignation or lay-off, stock is promptly issued to the employee or his heirs.

The executive committee of the company reserves the right to withhold the stock from any employee for cause, such stock then reverting to the profit-sharing fund. Only employees who show special effort in the company's service are entitled to participate in the surplus profits. The distribution is not in proportion to wages, but all employees are divided into four classes, A, B, C and D, according to efficiency; the A group receiving the maximum share and the D group the minimum. All employees are eligible except officials of the company and wagon drivers, yard helpers, etc.

There is also a stock subscription plan, under which every January the company offers to its employees its first and second Preferred Stock at a price slightly lower than the market value. Each employee may subscribe to an amount not exceeding 30% of his salary. The lower salaried employees receive preference if the allotment of stock is over-subscribed. The company purchases this stock in the open market, for re-sale to subscribing employees.

Payments are permitted in instalments of \$2.50 per share, to be deducted monthly from the salary check. Interest is charged upon the unpaid balances at the rate of 5%, this being deducted from the regular dividends of 7%.

The company reports it does not regard the plan as an unqualified success, for it has been unable to increase its earning capacity. During years when no distribution was made a very unsatisfactory feeling was caused among the employees. The management believes thoroughly in the principle of profit sharing, but states that "it is hard to make the average employee be satisfied with the working out of these principles, if there happen to be two or three poor years and the profits do not develop above the dead line."

**YOUNGSTOWN SHEET AND TUBE COMPANY.**

**YOUNGSTOWN, OHIO. 1913.**

Stock is offered to heads of departments and their chief assistants at a price considerably below the market value, varying according to the length of service of the subscriber. About 125 are eligible. Interest is charged the employee at 5% on the unpaid balance and all dividends in excess of this interest charge are credited to the stock, together with such cash payments as the employee may elect to make. No certificate is issued in less than two years from the date of subscription.

The company also pays a bonus to all employees, whenever earnings justify it. This bonus is based on the wages of each employee during the year. Officers of the company do not participate. The bonus has ranged from 3% to 6% on yearly wages. It was announced in January, 1916, that the annual distribution in March would be at the rate of 5%, the total amount being about \$350,000.

The company reports that the stock plan is a success, but that the bonus distribution has developed several bad features, including tendency on the part of the employees to spend their bonus money carelessly or to plan expenses in anticipation of the extra payments.

**EXCEPTIONAL PLANS.**

**THE A. W. BURRITT COMPANY.**

**LUMBER AND TIMBER. BRIDGEPORT, CONN. 1902.**

The plan of the A. W. Burritt Company of Bridgeport, Conn., is unique among profit-sharing plans. It is, in substance and effect if not legally, a co-partnership between capital and labor. It is the only one of the plans investigated under which the employee "takes a chance" in the sense of sustaining an actual and tangible financial loss if the business itself suffers a loss.

The company is engaged in the lumber business and has 250 employees, of whom about 100 are affected by

the plan. The plan is limited practically to the skilled workmen, of whom not more than three-quarters are allowed to participate for the reason that the business is subject to fluctuations and the company does not wish the contract to apply to a larger force than it can be reasonably sure of providing with steady work. Employees desiring to participate execute a Profit and Loss Sharing Contract with the company by which they agree to share the profits and losses of the business.

Under the arrangement the company retains each week one-tenth of the employees' wages to be held by it as a reserve fund, from which to make good their share in the losses, if any. In case of no loss, this reserve money is refunded to the employees on or before the end of each year.

The profits and losses are ascertained as follows: An inventory is taken on February 1 of each year. From the gross results thus obtained, shall be taken all expenses of every kind, including depreciation of buildings, tools and machinery, and bad debts; and the results of the above shall be considered the net gain or loss, as the case may be. If the result thus shown shall be gain, the capital actually invested as shown by the inventory at the close of each year shall first draw six per cent interest (or in case there is less than that amount, shall draw what net gain there is, in liquidation of its claim); the balance then remaining shall be divided between the company and the participating employees in such proportions as their total wages for the current year bear to the actual capital invested.

In case there should be a net loss made on the business of the year, without figuring any dividend for capital, the loss is divided between the company and participating employees in the same manner as described for dividing profit; but the employee in no case becomes responsible for losses greater than the amount reserved from his wages.

Other significant sections of the contract are the following:

"The party of the first part can at any time discharge any party of the second part from its employ and require him to withdraw from this contract, but, in such case, said party of the second part shall have the option to withdraw his full reserve or to leave it until the end of the year to share in results as above described.

"It is further agreed by the party of the first part that no party of the second part shall be temporarily retired from work so long as the party of the first part has any work of the kind said party of the second part is accustomed to do; but if there should be a shortage of work in the hands of the party of the first part, it shall reduce the hours of work and so divide the work between the parties of the second part. If at any time any party of the second part should become sick or incapacitated to perform his duties, and has the certificate of a reputable physician that he is so incapacitated, after two weeks duration of said sickness, said party can draw on his reserve wages at a rate not greater than six dollars (\$6.00) per week, without affecting his interests in the profits at the end of the year. Further, if any party of the second part should become injured on account of any accident while in the employ of the party of the first part, said party of the first part shall, at its own expense, provide him with a competent physician or surgeon, after application is made to it stating that such services are needed.

"If any of the parties of the second part wish to inquire into the accuracy of the annual report made to them by the party of the first part, the books of the party of the first part shall be opened for inspection by any reputable Public Accountant employed by the party of the second part, provided such Accountant will agree to confine his report to the statement that the Company's report was or was not correct, and if not correct, shall fully define its error.

"It is agreed that all differences and disputes resulting from the operation of this contract shall be settled by arbitration."

The company states that the employees affected have averaged a profit of about 6% on their annual incomes. There has never been a loss since the inception of the plan. The nearest approach to a loss was in the year 1908. At the beginning of that year a meeting of the profit-sharing employees was called by the company and they were plainly told that the company was looking forward to a year in which there would probably be a loss, and that if there were any faint-hearted among them they might retire without creating offense. The employees stated that they had shared the profits and did not expect to run in case of adversity. Not a single employee withdrew, and an official of the company states: "We have very little fear that a single year's loss would affect them very seriously. Of course, if it should continue for more than a year, it would be very likely to cause many or most of the men to withdraw. But we think they would stand one year without serious effects."

The same official says further: "I feel safe in saying that the local unions in our town and in our trade believe that our profit-sharing plan is a good thing for our employees, and it has been the means of maintaining a friendly relationship with organized labor, even at times when we were strenuously opposing their methods and their demands."

With reference to the motive of the company in making the experiment, this official states: "Our object in going into this thing was to get the hearty co-operation of the workmen, with the feeling on our part that the price we were paying for such co-operation was the percentage of profit which this contract produced. It was more a business proposition with us than a philanthropic one."

**DENNISON MANUFACTURING COMPANY.**  
**MANUFACTURERS OF TAGS AND PAPER SPECIALTIES. SOUTH**  
**FRAMINGHAM, MASS. 1911.**

It was recently reported that this company had solved the problem of democracy in industry by providing that

the "wage earners shall control the business." This was assumed to mean that the stock of the company had been turned over to the two thousand or more employees.

Mr. Henry S. Dennison, the treasurer of the company, in a letter to Ralph M. Easley, Chairman of the Executive Council of The National Civic Federation, under date of May 3, 1915, said:

"I am enclosing a copy of our Articles of Association and By-Laws, also a paper bearing on our Industrial Partnership plan. These will correct certain misleading statements in recent newspaper articles, since but 220 of our employees are Industrial Partners. Further, the plan has been in operation since December, 1911, upon the re-incorporation of our Company, and the results have been very gratifying."

Under the plan First Preferred eight per cent cumulative stock was issued to the owners of the business to the amount of four and a half million dollars. The company then created a class of what is called Industrial Partners, composed of employees who have been with the company five, six or seven years and whose yearly remuneration is \$1,800, \$1,500 and \$1,200 respectively, consisting of officers, managers, superintendents and foremen.

After the payment of dividends on the Preferred Stock and certain other reservations out of earnings are made, the additional profits are retained in the business and against them are issued to the so-called Industrial Partners what is called Industrial Partnership Stock. This stock is non-transferable and non-assignable. When an employee leaves the service of the company, dividends on his Industrial Partnership Stock cease and the company may buy his stock at par or exchange it for non-voting Second Preferred Stock which is entitled to a dividend of at least four per cent before dividends are paid on the

**Industrial Partnership Stock.** Dividends on the Industrial Partnership stock cannot exceed 20%, and cannot amount to more than one-half the net profits after Preferred Stock dividends are paid.

After one million dollars of the Industrial Partnership Stock has been issued, the entire voting power vests in the holders thereof to the exclusion of the Preferred Stockholders unless the company shall fail to pay the stated dividends on the Preferred Stock, in which event the voting power reverts to the First Preferred Stockholders. They regain control if less than four per cent is paid in any one year and if a four-year period shows less than the full eight per cent, paid per annum, the voting power returns permanently to the First Preferred Stockholders.

The plan does not reach the rank and file and is not intended to do so as it is limited to employees receiving \$1,200 per year and upwards, so that the number affected by the plan is about 10 per cent of the total number of employees.

The employees do not exercise any control of the business until profits to the extent of one million dollars have been earned over and above dividends to First Preferred Stockholders and there are certain other reservations. If they do acquire the voting power, the retention of it by them is conditioned solely by their ability to maintain sufficient profits to pay the dividends on the Preferred Stock. Certain critics have termed this an ingenious efficiency mechanism for safeguarding the eight per cent cumulative dividend to the original stockholders, and have suggested that instead of being a benefit to the rank and file, it may be conceived to be a pace-making instrument, because the officials and managers would endeavor to keep the power in their own hands, and this could only be done by earning the full eight per cent, annual dividend for the Preferred Stockholders, which in turn it is charged would mean the speeding up of the men.

## THE FORD MOTOR COMPANY.

DETROIT, MICH.

In January, 1914, the Ford Motor Company of Detroit adopted a scheme which was such a radical deviation from the ordinary profit-sharing plans then in existence that this report would be incomplete without a more or less detailed description of it. On account of the novel character of the plan and the large number of men affected, it was the subject of much comment throughout the country.

Whether the underlying motive of Henry Ford and his associates was wholly humanitarian or whether the plan was conceived with the idea that it would be good advertising, or whether both of these considerations entered into its adoption, the fact is that it has been beneficial for the employees and good business for the company.

Mr. Ford claims that he proceeded upon the theory that "all problems are solved by the elimination of worry through the payment of adequate wages" and he accordingly inaugurated a plan whereby all of the employees that met the requirements of the plan would receive, in addition to their wages, a share of the profits so that the minimum wage would be \$5 per day.

It was determined to base wages upon certain hourly rates, ranging from thirty-four cents to eighty cents.

With an eight-hour day schedule, the plan, so far as it affects the shop employees, works out as follows:

<i>Rate per hour.</i>	<i>Profit Sharing rate per hour.</i>	<i>Total income per day.</i>
\$ .80	\$ .07½	\$ 7.00
.73	.11¾	6.75
.68	.13¼	6.50
.61	.17½	6.25
.54	.21	6.00
.48	.23½	5.75
.43	.25¼	5.50
.38	.27½	5.25
.34	.28½	5.00

An employee must be in the continuous service of the company for at least six months to be eligible to participate in the profit-sharing scheme, and the additional qualifications are:

1. Married men living with and taking good care of their families.
2. All single men twenty-two years of age and over of proven thrifty habits.
3. All single men under twenty-two years of age who are the sole support of some next of kin or blood relation. Girls are eligible as profit sharers only when the sole support of some next of kin or blood relation.

Employees are not allowed time off, with pay, for any cause whatever, and are docked in half-hours for all time lost.

An employee of proven thrifty habits is defined by the company as one that does not indulge in the excessive use of liquor, nor gamble, nor engage in any malicious practice derogatory to good, physical manhood or moral character and who conserves his resources and makes the most of the opportunities that are afforded him in his work.

An employee supporting a home for near relatives is defined as one who is the sole support of his next of kin, dependent upon him and resident in the United States.

The possibility that the men might be unable to adapt themselves to a condition of sudden affluence was met by requiring certain standards of living in order to become participants in this profit-sharing plan.

A staff of investigators, picked for their fitness as judges of human nature, visit the families of the shop employees to learn their home conditions. At the inception of the plan, the staff consisted of two hundred men, which has since been reduced to forty. In their investigations to ascertain what employees were eligible to participate in the profit-sharing plan, they consulted every possible source of information—churches, frater-

nal organizations, government records, family bibles, passports—in fact, everything that they thought would give the truth about a man was scrutinized.

It was made quite evident that this system, under which the men were obliged to qualify before given the increased wage, had resulted in causing many of the employees to transform their homes from old shacks into respectable, if not even more than ordinarily comfortable houses. One illustration suffices to indicate the general condition. An old small tar-paper shack, in which there were a kitchen (one side being curtained off for a couch) one bed-room and a sitting-room, was still being occupied by a mother and son. In the center of the kitchen was a receptacle containing black water in which she had washed the linen from week to week rather than carry fresh water from a neighborhood hydrant. The yard was littered with tin cans. But the son had saved money enough to make a payment upon a lot and the company had given him credit for lumber. He had almost finished a two-story frame cottage of a substantial character and pleasing appearance, containing bath and furnace. As soon as he had shown that he had a savings account and discontinued spending his evenings in evil resorts, the company increased his wages. He was just about to abandon the old shack with its disordered surroundings for the new convenient place, where his mother would not have to carry water a block for her washing. This influence on the moral character and home life of such men and their families can only be regarded as an improvement.

Notwithstanding the scrutiny to which the men were subjected, in the first ten months that the plan was in operation, a total of approximately \$8,000 was obtained by employees falsely representing their condition so as to fraudulently participate in the plan. Various deceipts were resorted to in such cases; some hired women to pose as their wives at from \$2.50 to \$25 a day, some borrowed children and others borrowed passports and bank books.

The company early established its right in the court to recover the money thus obtained by false pretenses and about \$8,000 was paid back to the company. When the various frauds were discovered, the men perpetrating them were not discharged but the company insisted that they return the money and start in all over again. The company is proud of its record in that respect, claiming that it is a vindication of the painstaking way in which the company is trying to dispense the money and see that it is used for the purposes for which it was originally designed.

On the whole, the plan has been beneficial to the employees and community alike. The company states that there is a marked increase in the number of naturalized citizens; a marked improvement in the tendencies of the men towards thrift and economy; in their habits, health and physical attributes, and that there is a tremendous drift toward better living conditions, more sanitary homes and a cleaner and better neighborhood. In the first ten months of the plan the gain per man in bank deposits was 130½ per cent; in life insurance, 86 per cent, and in homes owned, 87½ per cent. As the men have committed themselves to a very large extent to the purchase of homes, relying upon a continuance of the payment of the profit-sharing addition to their wages, they would be confronted with a very serious situation if the company did not continue to pay these profit-sharing additions.

When the Ford plan was announced it was predicted that industry would be disturbed in the city of Detroit and very likely elsewhere, as no other firm was financially able to introduce any such extravagant system. It is now contended by some, but the idea is ridiculed by others, that as soon as a real competitor enters the field covered by the Ford Company it will have to discontinue the high wage rate now being paid. Some argue that others are now coming along and will have to be reckoned with in

the near future, but the friends of the company will not admit any such possibility.

It is plain that the labor market was not disturbed, as was predicted. This is partly due to the fact that when the system was introduced unemployment was so great that men were willing to take jobs wherever they could get them and at current wages.

An interesting phase of the situation lies in the fact that even at the highest rate paid, namely \$7 a day, the employees of the Ford Company do not get as much as skilled mechanics in the same industry in Detroit where different processes are employed in making the automobiles of a higher grade. This company, specializing to such a large degree and depending almost entirely upon machinery with unskilled labor to guide the product and handle the machines, requires almost no skilled workmanship.

There has also been put into operation a profit-sharing plan for employees other than the shop employees, who are qualified, as follows:

- Class 1. Men receiving \$200 a month or more.
- Class 2. Men over twenty-two years of age, receiving less than \$175 per month.
- Class 3. Men, under twenty-two years of age, and women.
- Class 4. Salesmen.

Class 1, the men who are receiving \$200 per month or more, are the heads of departments, and they are paid (besides salary) usually, by the custom of the company, at the end of the year, a so-called Bonus for Brains, which is awarded on the basis of merit and individuality manifested and put into force for the good of the company during the year.

Class 2, the men twenty-two years of age and receiving from \$75 to \$175 per month, now receive from \$5 to \$7 per day.

Class 3, the men under twenty-two years of age, and women, receiving from \$30 to \$50 per month, now receive from \$2 to \$4 per day.

Class 4, the salesmen, receive a minimum of \$5 per day.

Mr. Ford was not willing to admit that others could not adopt his plan. When it was inaugurated, in January, 1914, the company made an appropriation of ten million dollars to cover the increase in wages. After one year's operation, the business had developed to such an extent that the additional profits were vastly in excess of the increase in wages. The company claims that this was attributable directly to the greater efficiency of the men and such a continuity of service as practically to eliminate any turnover in labor.

The minimum annual labor turnover of most corporations is estimated at 33 per cent, whereas this company claims that it has not had a changing force and that its employment department has been active only when the company was required to increase its force, as was the case in April, 1915, when it took on two thousand new men. To this point others replied that in time of depression the company could not judge as to the possibilities of a turnover, since men would not leave during such a period when they knew that they could not get work elsewhere.

There has been no noticeable speeding up in the work of the employees. An official of another automobile company in Detroit, who spent more than a week in a critical study of the plan, had much to say about the speeding up of the workmen in certain parts of the works, but an investigation by a representative of the Civic Federation disclosed that this contention was not correct.

While the Ford plan may be an ideal one for that plant, it is not applicable generally throughout the manufacturing industry and it is extremely doubtful if there

are many concerns that could successfully adopt it. The Ford Company manufactures and sells a finished product ready for delivery to the consumer, the market for which it is able to create. The company has practically no rivals in its own field and need not cut prices unless it sees fit to do so for the sake of larger sales and still larger gross profits. Therefore it is able to fix its own wage scales without reference to the conditions faced by concerns in close and active competition.

Catering to the market for low priced cars and specializing in one type, it is able to reap the benefit of cost-saving methods which the makers of a series of models of higher priced cars cannot utilize. Such exceptional conditions permit a wage outlay which might prove absolutely ruinous to a manufacturer who, in competition with others, manufactures some staple article where the labor item enters largely into its cost and for which he could not create any particular demand. In such a case, the cost of the article would be determined largely by the rate of wages paid by manufacturers generally in that industry and the individual manufacturer would therefore necessarily be limited in the amount which he could profitably pay to his workmen.

But aside from the financial aspect of the plan, it is essentially paternalistic and, while it is now accepted by the employees, a very large percentage of whom come from countries where paternalism prevails, it is a question whether such close inspection of the private lives, habits and personal accounts will be tolerated by the foreigners when they shall have become Americanized. To have an inspector insist upon seeing a man's savings bank account book, his receipts for payments on property, for water tax, for household expenses and other items that enter into the family budget, must be resented ultimately by those who have come into the spirit of our free institutions.

Although Mr. Ford's antipathy to trade unions is well known, their basic objections to profit-sharing plans generally do not apply with the same force to his plan, as it is in effect an increase of wages. A trade unionist cannot consistently oppose any plan which definitely establishes a high wage scale; but the autocratic and paternalistic features of the ~~Ford plan~~ are repugnant to the spirit of trade unionism.

It will be seen that the Ford plan is not in reality a true profit-sharing enterprise, even though the extra wage payments are called by the company a "share in the profits." These payments are made outright, as a part of the regular daily wage; they are not a stated percentage of the annual profits nor in any way made dependent upon the size of the profits. The Ford experiment may therefore be put in a class by itself as a wholesale increase in wages made possible by extraordinary conditions.

#### ABANDONED PLANS.

A true test of profit sharing will be found not alone in a consideration of the plans which are now in operation—new as well as old—but in an examination of those which have been abandoned and the circumstances surrounding their discontinuance. Other instances of abandoned schemes may be found in accounts of plans now in operation where the companies have tried one or more methods.

Lists of failures may be found in N. P. Gilman's books, "A Dividend to Labor" and "Profit Sharing Between Employer and Employee"; in Sedley Taylor's "Profit Sharing" and in the reports of the British Board of Trade on "Profit Sharing and Labour Co-partnership in the United Kingdom" and "Profit Sharing and Labour Co-partnership Abroad."

Among the abandoned experiments of considerable prominence were the following:

## AMERICAN SMELTING AND REFINING COMPANY.

NEW YORK CITY. 1903.

Some years ago, when very satisfactory profits were being earned, the company distributed yearly bonuses, based on percentages of wages, to all heads of departments and employees down to and including the rank of foreman. The total distribution in 1905 amounted to about \$200,000. The company does not assign a reason for discontinuance of the plan, other than that implied in the reference to diminished net earnings in recent years.

## THE BALDWIN LOCOMOTIVE WORKS.

PHILADELPHIA, PA.

In June, 1914, an officer of the company explained its stock subscription plan as follows:

"Leading men have been sold stock on a basis of 4% for money involved, workmen preferred. Highest possible wages to be paid regularly. Employees have the privilege of depositing their savings at 4% interest, money can be drawn on demand without previous notice. No attempt is made to interfere with the private affairs of workmen."

In February, 1916, the president of the company states that the plan has been discontinued for the following reason:

"By reason of the large advances in the market values of our common stock, it became profitable to our employees to sell their holdings and liquidate their obligations to us. Therefore, all of the beneficiaries of the arrangement have terminated their obligations and the Employees Share Fund has been closed."

## BOSTON ELEVATED RAILWAY COMPANY.

BOSTON, MASS. 1902.

Employees engaged in car service, in the employ of the company for six months and having a clean record,

were eligible for payments from a bonus fund set aside each year. About 4,000 employees shared in the annual distribution, averaging about \$15 per man. Since entering upon contract relations with the Amalgamated Association of Street and Electric Railway Employees, this extra distribution has been discontinued.

BOSTON HERALD.

BOSTON, MASS. 1887.

The proprietor who inaugurated the plan for the 300 employees retired soon thereafter. Financial embarrassment of the firm not only delayed the first distribution but necessitated the reduction of the rate originally contemplated. The result was unsatisfactory and the scheme was not continued (N. P. Gilman).\*

BREWSTER & COMPANY.

CARRIAGE BUILDERS. NEW YORK. 1869-1872.

This firm was one of the pioneers in profit sharing in this country. The extreme care with which their plan was prepared, the favorable auspices under which it was inaugurated and the ill-fate which attended it, make it of more than passing interest.

In October, 1869, the firm submitted, in a proposal for an "Industrial Partnership" with its employees, the following Percentage of Profits Plan, drawn up by them in conjunction with John Stuart Mill and John Bright of England:

The percentage of profits which labor was to receive was determined jointly by the firm and a committee of ten employees elected by the shop. The amount agreed upon by them was 10% of the net annual profit, which was distributed among the employees in proportion to the wages earned by them respectively, the persons to share in the fund to be determined by the employees. The latter organized the "Brewster & Co. Industrial Association," and

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\*The treasurer writes that the "Herald" has no profit-sharing plan and never had one that became operative. Mar. 29, 1916.

adopted a constitution which contained a proposition as follows:

"Neither this Association nor any member thereof or other than its President shall have any voice or authority in the management of the business of Brewster & Co.; nor shall this Association, nor any member thereof, have the right to bring suit against the firm of Brewster & Co., or any member of said firm, in any Court of Law or Equity, to determine or recover the amount of any share or shares in the moneys mentioned in the preamble of this Constitution; and it is expressly understood that the wages agreed to be paid by Brewster & Co. shall be a full compensation for all services rendered by any member of this Association while in the employ of Brewster & Co."

In presenting the profit-sharing plan to their employees Brewster & Co. said:

"Recognizing the importance of harmonious action in business operations, and believing that the interests of labor and capital are not necessarily antagonistic, but, on the contrary, can be made identical in many important respects, we have been considering and maturing a plan for the reorganization of the manufacturing departments of our business, in such manner that labor shall receive, in addition to ordinary wages, a portion of the profits accruing to capital."

Here follow the details of the plan and the announcement continues as follows:

"In conclusion, we wish it to be distinctly understood, that, in offering this plan for your consideration, we do not claim to be prompted solely by the interests of those in our employ; on the contrary, we have faith that it will serve the interests of all concerned, and are free to say, that we believe we shall be gainers in proportion to your gains; and we pledge ourselves that, if this experiment, during the first year, shall confirm us in this belief, we shall make such further concessions to labor's share as will satisfy the shop of our faith in our plan.

"One word more. We make this proposition at a period of profound peace in our shop—when there are no ugly questions to be answered, or demands to be silenced by it; it is wholly a voluntary act on our part. Nor do we come to you with this offer suffering from any disaster, disappointment, or even discontent, for our business is already the largest of its kind in the United States, and our last year was in every way the most successful that we ever experienced. We do not, therefore, invite your co-operation in order to restore a lost or impaired business, or to make good a deficit capital; but, in our prosperity and success, we do it for our mutual benefit, and that together we may demonstrate that neither labor nor capital can ever so efficiently promote its own advantage as when it seeks it, in harmony with the other, and with generous regard for the interest of the other."

In explaining the discontinuance of the plan the firm said:

"We are sorry to say that it proved to be a failure, the men not being able to withstand the pressure from a general strike in the trade to join the outside movement. To show their foolishness and general disregard for their own welfare, had they waited two weeks longer they would have been entitled to receive some \$10,000 to be divided among them. The generation then in charge of the business considered that the movement was a failure and gave it up."

(Discontinued in 1872 when there was an eight hour strike.)

THE COLUMBUS RAILWAY, POWER & LIGHT CO.  
COLUMBUS, OHIO. 1900-1913.

In 1900 this company inaugurated a profit-sharing plan by giving a bonus to its employees; but the plan was abandoned in 1913 and the amounts formerly paid were added to the weekly wage; the reason being, as the company states, that a great many employees preferred to receive the money in an increased wage rather than

to have it show as a gift pure and simple, which it did under the profit-sharing scheme.

CONSOLIDATED GAS COMPANY OF NEW JERSEY.

LONG BRANCH, N. J. 1911-1914.

The plan applied to the water gas makers. It consisted of a monthly cash payment and was based on the results obtained in the operation of the water gas machines. Three items were considered—the quality of coal used, the quantity of oil required and the time per unit of gas made of standard quality.

The company states that the system was very satisfactory for some time, and that the results obtained through it were wonderful. It states the reasons for abandoning the plan as follows:

“The system was abandoned for several reasons, principally because the bonus grew to such an extent that it was causing dissatisfaction among all the men in our employ who were not receiving a share of it. The gas makers were drawing larger wages than the foremen and some of the superintendents who supposedly had very much better positions with the company.

“Another reason was that the gas meter which measured the output and upon which the bonus was based got out of order and for a while it was necessary to estimate our output. This made the computation of the bonus a very difficult if not altogether an impossible thing.

“Another reason for abandoning it was that the results were not dependent altogether upon the efforts of the men themselves. The quality of materials furnished, weather conditions and various other items over which they had no control playing at times a more important part than the men themselves.

“We regard it as having been a great success. At the time it was inaugurated the standard was low. The men on the machine did not know what results could be obtained and were satisfied with those they were getting. They are of a class of men who take pride in doing good work and all that was required

was to get them started along the right track, and that certainly has been accomplished by the bonus system. It is now nearly a year since we abandoned the bonus system and we have seen no noticeable falling off in the results. We are paying the men a much higher wage than formerly, in fact a very much higher wage than is prevalent among men of that grade in this section of the country. We did this because we felt that the men would be apt to go back and lose the incentive that they formerly had if the bonus was removed and nothing was done to make up for it. We contemplate a bonus similar to this in other departments.

"We do not plan on making it permanent but will announce it as a temporary bonus to be paid for a period of one year or so, and if at the end of the initial period it has not served its purpose it may be extended. If it has served its purpose and we are satisfied with the results we will discontinue it but pay the men a wage in keeping with their increased efficiency."

#### THE CRUMP LABEL COMPANY.

MONTCLAIR, N. J. 1890-1892.

Ten per cent of the earnings of the company was distributed to the employees, the distribution being based upon a percentage of the salary of each employee who had been with the company for a period of one year. The company had 225 employees, but discontinued business in 1892.

The president of the company states that during the short time the plan was in operation "it worked advantageously as a great and cheerful stimulant."

#### CUNNINGHAMS AND COMPANY, LTD.

WINDOW GLASS MANUFACTURERS. PITTSBURGH, PA. 1905.

The company was reported to have entered into a profit-sharing arrangement with its workmen, whereby \$20 a week was to be paid to blowers and \$15 to gatherers during continuance of the blast. After disposal of the product 10% of the net earnings was to be de-

ducted for running expenses and the balance shared with the workmen. Many were expecting a large dividend, but the sales were made at prices which left nothing for distribution to labor, and it was stated that much dissatisfaction developed in consequence.

**CUSHMAN-HOLLIS COMPANY.**

AUBURN, ME. 1891.

The Ara Cushman Co. had a coöperative plan in operation from 1891 to 1893, when, owing to the apparent disposition on the part of their employees to disregard its intent and benefits, and also owing to unfortunate labor troubles, the plan was discontinued.

In 1903 the Ara Cushman Co. was succeeded by the Cushman-Hollis Co., which has no profit-sharing plan at the present time, according to the statement of its vice-president.

**HENRY A. DIX & SONS COMPANY.**

MANUFACTURERS OF UNIFORMS. NEW YORK CITY. 1914.

In February, 1914, the company distributed about \$10,000 among 400 employees in the form of a dividend of 6% upon their yearly earnings, with the addition of a "length bonus" in proportion to the number of years of service. The company states that it is doubtful whether the plan will be continued, as it has only been tried once, but that it prefers not to go into the details of the reasons for this decision.

**DRIVER-HARRIS WIRE COMPANY.**

HARRISON, N. J.

About nine years ago, this company had in operation a system of profit sharing which was abandoned for the following reason, as stated by the president of the company:

"It did not seem to work well and it did not appear to us that it was appreciated. To 'cap the climax', there was a threatened strike in our works

and when that condition presented itself, we immediately decided to terminate this plan."

The company is giving further attention to the idea, however, and hopes at some future time to develop a profit-sharing plan which will be mutually advantageous.

**EMERY AND MARSHALL COMPANY.**

**MANUFACTURERS OF WOMEN'S GOODYEAR WELT.  
HAVERHILL, MASS.**

For about four years the company had in operation a bonus plan whereby it paid to each employee, who had been in the service one year, 1% of the wages earned during the preceding twelve months. The company states that it believed it had a fine plan and that it would accomplish certain results, but that a large proportion of the employees did not appreciate it and "in order to get at the ones who did not appreciate what we had done, we were obliged to discontinue this plan."

**SIR CHRISTOPHER FURNESS.**

**WINGATE COLLIERIES. IRVIN SHIPBUILDING CO.  
See Experience in England.**

**THE E. GUTHRIE COMPANY.**

**WHOLESALE AND RETAIL DRY GOODS. PADUCAH, KY.**

Every six months, 1% of the total cash sales was distributed among all the employees, in proportion to salaries. The company states:

"We found that our employees did not appreciate this and we have discontinued the plan."

**HOFFMAN & BILLINGS MANUFACTURING COMPANY.**

**BRASS AND IRON WORKS. MILWAUKEE, WIS.**

Some twenty years ago this company shared profits with its employees by first setting aside 6 per cent on the capital invested. The balance of the profits were divided equally between the capital of \$200,000 and a

pay roll of approximately the same amount. After two or three years' operation the plan was abandoned, for the reason as stated by the company as follows:

"We found that the plan worked all right when there were profits to divide but when the firm suffered a loss which the payroll did not take part in, our men were rather out of sorts about it as they figured that there always must be a profit and as we had a year where we did not have a profit, we found our plan was a good deal of a jug-handle affair. In case of good business the men would always win but in case of poor business the firm alone stood the loss. We had supposed in conducting a profit-sharing plan that it would make our men take more interest in the firm's work and business, but we could not find that this was the case. They were always willing to take the proceeds of a profitable business but they did not give us anything in return and we therefore dropped the profit-sharing scheme entirely."

C. HOWARD HUNT PEN COMPANY.

CAMDEN, N. J.

Several years ago the company made experiments in profit sharing, one of which was to place at the disposal of each foreman a block of the company's stock, to be paid for from the earnings of the business. The men apparently took no interest in the plan and it was discontinued.

It was the company's custom to give each employee who had worked a full month one day's vacation with pay, or two weeks for a full year of service. The result at first was to keep the help regularly at the factory, but they gradually tired of it until there were very few benefiting and the plan was dropped.

THE HURON MILLING COMPANY.

HARBOR BEACH, MICH. 1909-1912.

The company paid a bonus for length of service, as follows: for one year's continuous service 5% of wages;

two years, 6%; three years, 7%; four years, 8%; five years, 9%; six years and over, 10%.

After three successive years' trial the plan was abandoned, for the following reasons, as stated by the company:

"When we instituted this plan we were having some 30 to 33% of changes in our working force annually. We gave as a reason for the paying of the bonus that, owing to the fact that we were chemical manufacturers, it was most important that we should have careful men who were experienced in their jobs and that we did not like to see so many changes. We gave the plan a thorough trial for three successive years and found that it made no difference whatever in the percentage of changes annually. These took place almost entirely among the floating labor engaged in the outside work, digging sewers, etc., hence we found that they never gave the bonus plan time to reach them. It did not seem to appeal to them at all. At the end of three years the president of the company, who was somewhat suspicious of the popularity of the plan, discussed it thoroughly with a number of our older and most level-headed employees, and they stated that while the plan was satisfactory to them, it was not satisfactory to the employees as a rule; they looked upon it as a pension, and the idea generally expressed was this, that if they were earning any more than we had paid them, they preferred to get it on the regular pay days rather than once a year; also that there was a tendency among them to look forward to the end of the year, relying upon this bonus, and to being more extravagant than they ordinarily would. Their statement of the case was too much for us. We immediately raised wages so that no man should lose anything by the loss of the bonus, and eliminated the bonus. We have had no complaints since.

"Most of our employees have lived here for a great many years. They are largely of English and German descent, are very independent, and cannot be classed with the ignorant foreign labor which most employers have to deal with nowadays. We have had a profit-sharing plan in our minds ever since we

gave up the bonus system but have been unable to find anyone in like circumstances to our own with whom it has been successful. There are some manufacturers whose profits are so large either from the fact that they own patents and have a monopoly of certain products or articles, or from other reasons, that they are able to indulge in profit-sharing plans and to be fairly confident that they can always continue to have something to share with their employees. In our business, the profits are only normal. Sometimes we have a year of big profits, owing to cheap raw materials, but usually when this happens the next two years the profits will be so small that our average is no more than maintained for the three years.

"We believe in profit sharing and are interested in it, but as human nature is constituted in this country today, or at least in this town, we would want to be pretty sure of our ground before starting any such thing, as if through dull business or bad luck, or for other reasons, we were unable to divide profits for one year, we feel that it would cause a great deal of disappointment and trouble."

This company has always paid bonuses to department heads and still continues to do so, finding the results satisfactory in every way.

**THE S. M. JONES COMPANY.**

(Formerly Acme Sucker Rod Co.)

TOLEDO, OHIO.

Profit sharing was practiced for several years but it was given up some years ago, according to statement of Sept. 7, 1915.

**H. E. LESAN ADVERTISING AGENCY, INC.**

NEW YORK CITY.

The company put in operation a plan of sharing the profits with its employees, which it described under the head of "Paying Dividends to Workers" as follows:

"The profit-sharing feature of the association is arranged on a dividend basis. At the end of each

year, every employee is given a bonus equal to a certain percentage of his or her yearly salary. This percentage is based on the profits of the business for the year, and is determined by the executive officers of the company. Last year, in addition to salaries, \$2,000 was distributed among the members of the association as a bonus, on the basis of six per cent of the yearly salary of each employee.

"When the association was organized, a system of merits and demerits was inaugurated. These merits and demerits are based on a unit of five dollars and are credited to or deducted from the amount set aside for the bonus at the end of the year. Last year, the merits exceeded the demerits, and the bonus was increased one and one-half per cent, making it seven and one-half per cent of the salaries. One clerk who drew a salary of \$1000 a year, received in addition a bonus of seventy-five dollars, while stenographers who made eighty dollars a month got a bonus of seventy-two dollars. Five per cent of this is paid at Christmas and the balance on demand after the first of the year.

"The merit system affects each worker's pay. A merit is awarded to any one who suggests an acceptable "short cut" in business or any system which will save time, labor or expense in any branch of the business."

In May, 1915, the company stated that when the plan was in operation it was successful but that it had been discontinued, owing to a reduction of the force, for various reasons. "We believe that at the time it was installed and operated it was successful, but . . . plans of this kind depend largely upon the amount of business going through the office."

#### THE LOCOMOBILE COMPANY OF AMERICA.

BRIDGEPORT, CONN. 1915.

In July, 1915, the company announced that it would put into effect a profit-sharing plan similar to that of the Ford Motor Company, to include all employees from floor sweepers to section foremen. There was to be first

a wage increase of from 8 to 13% and a bonus division every two weeks in proportion to the wages of each employee, varying in amount according to the number of cars turned out.

Nearly 3,000 employees were affected, but the company states that the plan was in force for a period of only thirty days and was abandoned because the employees expressed a preference for the eight-hour day or forty-eight-hour week.

#### METROPOLITAN COAL COMPANY.

BOSTON, MASS.

The plan put in operation by this company is described and its failure explained by the general manager, in December, 1909, as follows:

"I am sorry to say that the profit-sharing plan which we instituted was a dismal failure. This was due, we are convinced, to the false basis on which we tried to found it, namely: the payment to the clerks of a percentage of their salary, proportioned to the increased number of tons which the company sold in any given year. This being with the idea that it would cause more strenuous efforts to make sales, and facilitate the business of the company in general, through the hope of extra reward. It did not, however, work out to that result, principally because the tonnage in our business is so seriously affected by the weather, and in addition the fact that a large proportion of the tonnage is made up of contracts for large amounts of coal, with which the clerks have nothing to do, and which no efforts on their part could affect. We also found a general disposition to regard the bonus at the end of the year, as a fixed part of the salary, which in many cases was relied upon to pay bills, and meet obligations, before it was paid, and we found that the amount varied so greatly that it caused much disappointment and such bitter feeling that after three years we gave up the whole plan. I am, personally, and I know some of our Directors agree with me, of the opinion that the fault was with our particular ap-

plication of the principle, and I have given considerable time and attention to looking into systems of profit sharing, with a view to trying again something of the sort."

MIAMI COPPER COMPANY.

NEW YORK CITY. 1914-1915.

In July, 1914, the company offered to all employees the privilege of subscribing to the company's stock at a nominal quotation, to an extent optional with the employee, but with a prescribed maximum limit proportional to the wage or salary earned. The salient features of this plan were described by the company as follows:

The rights and interests of the subscribers as such rest with the decision of the Board of Directors of the company;

Payments are made in monthly installments, not exceeding 25% of the wage or salary earned;

Declared dividends are credited as subscription payments and interest on deferred payments is charged at the rate of 5% per annum;

When the subscription is fully paid the stock is issued to the subscriber, and he therefore obtains the same rights of disposal as the ordinary stockholder. As an inducement to retain the stock, a bonus of one dollar per share per year for a period of five years is offered him while he remains in the employ of the company.

Subscriptions are cancelled at the request of the subscriber, or by subscriber leaving service of the company, or whenever subscription payments have been discontinued without the consent of the company for a period of three months.

Upon cancellation of the subscription the payments made by the subscriber are returned to him with interest at 5% per annum, but the dividends credited to the subscription are reclaimed.

The plan has been abandoned for the following reason, as stated by an officer of the company in December, 1915:

"The average number of employees of the company is 1000. Of these only about 40 participated and the plan failed to benefit those men whom it was primarily designed to benefit, namely, the wage earners, practically all those participating being salaried men. It was, therefore, decided not to continue it."

NATIONAL CLOAK & SUIT COMPANY.  
NEW YORK CITY.

This plan included those employees holding responsible positions, whose efforts would materially affect the success of the business. A certain amount of profits was set aside to be divided among these men. There were three classes, as follows:

*Class A.* Men who had been with the company a number of years and the character of whose work contributed directly towards the profits as a whole.

*Class B.* Men also with us for a number of years, but held less responsible positions and whose efforts would contribute in an indirect way towards the profits.

*Class C.* Men who had been with us a shorter time and who had been recently added to the list of profit sharers.

The Class "A" men received the largest percentage and the Class "C" men the smallest percentage in the distribution of these profits. The company does not care to state what percentage was set aside, or to give any further details as to the actual distribution.

At the end of the fiscal year June 30, 1914, the company abandoned the above plan and substituted a Stock Subscription Plan, a description of which will be found among the plans now in force.

NORTHWESTERN GENERAL TRADING COMPANY.  
SPOKANE, WASH.

This company reports that its plan was discontinued in 1915.

**AN OPTICAL COMPANY.**

(Name and place withheld by request of company.)  
1905.

In 1905 an optical company in a large industrial city made a distribution of the profits of the business to all salesmen, heads of departments and workmen who had been longest in its employ. The provisions were that:

The capital actually invested should first draw 7 per cent interest, the balance of profits then remaining to be divided in such proportion as the capital invested in the business bore to the salaries and wages of those participating. Seven per cent interest per annum was paid on any profits or funds not exceeding \$1000 left with the company.

Other employees of the company might participate in the profits upon invitation, but the computation of their share was figured only on the wages earned after date of notification. Any employee not under contract who withdrew from the company's employ, and gave three months notice, might still participate in the profits while employed. But an employee under contract leaving without the company's consent would not be entitled to any share of the profits for that year. The profit share of a discharged employee was based on the salary earned while in the company's employ. March 28, 1916, the company reported its abandonment for certain reasons.

**PAGE BELTING COMPANY.**

CONCORD, N. H. 1887.

This plan provided that if a profit above 10 per cent net were earned on the capital stock, the excess up to \$1,200 would be divided among the wage earners. The bonus was apportioned according to merit, valuable suggestions and economies, and continuous satisfactory service for a year. The company at first considered the plan a success but it is not now in operation. The reasons for its discontinuance cannot be ascertained.

PEACE DALE MANUFACTURING COMPANY.  
MANUFACTURERS OF WOOLEN FABRICS. PEACE DALE, R. I.  
1878.

In 1878 the company adopted the plan of paying the employees a certain percentage on their respective earnings, according to length of service. The plan, which continued in effect for a number of years, was described and commented upon by the president of the company in December, 1909, as follows:

"We found our plan here was open to the objection that those who were honestly careful and solicitous for the welfare of the company, and who tried to make the individual small savings of waste and wear and tear possible to every workman, were put upon a level with those who paid no attention to their own part in the scheme. When at the end of the year the amount was declared and set aside, the conscientious fared no better than those who had not been so. The result was that those who at first tried to do their part faithfully were affected by the evidence they had that they would fare just as well if they made no more effort than those about them whom they saw making none. It was almost impossible for us to figure out a plan by which the faithful could be differentiated from the unfaithful. That is where the trouble comes in. The plan, like the sun, shines upon the just and the unjust.

"Our plan was exceedingly simple. The dividend declared was entirely optional with the directors, and was stated to the recipients to be a freewill offering on the part of the company. It was not guaranteed to be continued. It was not complicated because it was based on the percentage of the earnings of each one who had been a certain length of time in the employ of the company, seven months in our case.

"In spite of this plan, which was subject to the fluctuations of the business, a strike developed of such pernicious character as to be very difficult to reach. It was amongst the weavers who refused to try a kind of work which they had not done before, although it was figured out to the satisfaction of all the experts that they could make more money on the

new work than on the old. Being a new departure, they would not try it, and, rather than try it, they struck. They did not complain of having had too small wages before. They only complained of being asked to do something they were not asked to do before, which seems so irrational a ground as to be hardly believable, and yet I am sure there was no other ground.

"My objection to the plan is then fundamental. At present we are in a very great quandary to know what to do. The strike has been long since cured, and the men were proved to be in the wrong. They came back without obtaining any of the points they sought to establish, amongst others a closed shop, but it was a very trying affair."

#### PILLSBURY-WASHBURN COMPANY.

FLOUR MILLERS. MINNEAPOLIS, MINN.

In 1882, the company adopted a plan of paying out of its profits a bonus to its responsible employees in the offices and mills, including its skilled workmen. The plan continued in effect for a number of years, during several of which the company paid a bonus. But its successor, the present Pillsbury Flour Mills Company, states that the plan was abandoned because it did not work out successfully.

#### THOMAS G. PLANT COMPANY.

SHOE MANUFACTURERS. BOSTON, MASS. 1905.

A profit-sharing dividend was paid quarterly to employees who had been with the company not less than three months and who met the requirements of a system of ratings in respect to attendance, cleanliness, deportment, industry and quality of work.

For the purposes of this rating system, the employees were divided into four classes. The dividend to Class A was equivalent to one week's pay; to Class B, four days' pay; to Class C, two days' pay, while those in Class D received no dividend. The rating was by points which were placed to the credit of employees as

follows: 60 points for first class work; 45 points for the best record of lates and stayouts; 30 points for good workers and 20 points for cleanliness and deportment. The foremen submitted weekly reports of the markings and a committee appointed by the company passed on the records and classified the employees accordingly. The company also made the offer that if any employee would leave 10% of his wages on deposit, the amount to his credit would be doubled and the total might then be withdrawn at the employee's option upon one week's notice.

Mr. Plant severed his connection with the company upon its transfer to other ownership, and the profit sharing was discontinued at the end of the year 1910. On Christmas of that year, employees who had worked in the factory for five years or more received from Mr. Plant a gift of not exceeding \$10 for each year of their service.

#### RINGWALT LINOLEUM WORKS.

NEW BRUNSWICK, N. J. 1914.

The company reports (March 28, 1916) that its plan, which was started largely in the nature of an experiment and which applied principally to heads of departments, was discontinued recently as the results did not seem to warrant its retention.

#### ROGERS PEET COMPANY.

CLOTHIERS. NEW YORK CITY. 1886.

A fixed proportion of the profits was divided pro rata among the employees, not including heads of departments. The distribution ranged from  $2\frac{1}{2}$  to 5 per cent on the annual salaries or wages. According to N. P. Gilman in his "Profit Sharing Between Employer and Employee," a member of the firm stated in 1887 that under this plan the men were working with more zeal and intelligence than they had ever shown before, doing the

same work in 9½ hours that they had previously accomplished in 10.

After four years' trial, the plan was abandoned on account of a strike participated in by a considerable proportion of the profit sharers. The vice president of the company states that it has been the general impression of the principal officials since the discontinuance of profit-sharing, that it was "a complete failure in its primary object—to wit, the development of a more intense spirit of loyalty, for as above stated, the scheme expired in a strike".

**ST. LOUIS SHOVEL COMPANY.**

ST. LOUIS, MO.

A profit-sharing plan was in operation a number of years ago at this plant, which is owned by the Ames Shovel and Tool Company. The plan was abandoned on account of a strike, which the company states was not for higher wages, but for unionizing of the plant. The shops were closed for four months and profit sharing was discontinued.

**SAUGERTIES MANUFACTURING COMPANY.**

MANUFACTURERS OF BLANK BOOKS. SAUGERTIES, N. Y. 1901.

For a number of years a profit-sharing dividend of 5 per cent on wages was distributed among the employees, but an officer of the company states that it did not accomplish the intended purpose of encouraging coöperation. It was found difficult to discriminate between those who were entitled to the extra payments and those who were not, and it was felt that a distribution only to those entitled to it would engender ill feeling and discontent. The scheme was abandoned in 1911.

**SPRINGFIELD FOUNDRY COMPANY.**

SPRINGFIELD, MASS.

About twenty years ago this company maintained a system of profit sharing, which was discontinued for the

following reasons, as stated by the president of the company:

"We abandoned profit sharing because it did not seem to create the spirit of harmony between the workmen and the officers of the company that we anticipated it would; and the workmen seemed to get the idea that they should be consulted on matters of management of the company's affairs, rather than being willing to confine themselves to shop conditions and shop details."

UNION MINING COMPANY.

MOUNT SAVAGE, MD. 1886.

A dividend on wages, equivalent to 10% of the dividends declared on the company's stock, was paid to all employees who had been with the company six months or longer. Under this plan the 300 employees received two dividends, but the profit sharing was then discontinued on account of a strike. The president of the company, as quoted by N. P. Gilman in his "Profit Sharing Between Employer and Employee," made the following statement with reference to this experience:

"I do not believe that interest or painstaking in their work has quickened among 5% of the force." The men apparently considered "only the money advantage, without taking in the idea that by their own efforts they could increase it."

On the eve of the strike in 1887, according to Dr. Gilman, "the president called the men together; corrected a misapprehension on their part that certain new works, costing some \$40,000, had been built out of profits (no provision had been made for calling in an accountant); pointed out the excellent prospect for a dividend, which they would forfeit by striking; declared that a strike would surely put an end to the profit-sharing plan; and appealed to the more independent of the men to organize in support of the company. He offered an increase of 5% on wages, with the conditional promise of as much

more at the end of twelve months. But the men struck (only one standing by the company), and afterwards refused offers of arbitration under three different forms. The strike lasted ten days and then began to break; but there were troubles again in May and September, which further crippled the operations of the company, and spoiled the best business season that had ever offered itself; the employees themselves lost in wages and dividends between \$6,000 and \$8,000 in ten months. The profit-sharing plan was given up at the first meeting of the directors after the strike."

#### WASHINGTON RAILWAY AND ELECTRIC COMPANY.

WASHINGTON, D. C. 1912.

It was found in 1911 that 26% of the gross earnings of the company had been required to pay trainmen's wages and damage claims. Every year since that time the company has divided among the conductors, motor-men, depot clerks and starters the difference between the amount of the wages and damage claims and the fixed sum of 26% of the earnings.

The distribution is based on the length of service from one to twelve months, all men in the service one year or longer receiving the same amount.

The company started this scheme in order to reduce the accidents and induce more careful handling of fares, but according to their 1915 report the men failed to grasp the situation. Damage claims and accidents increased so that the share of profits for men in the service a full year or more was only \$21.17 as compared with \$42.53 for 1913. In part explanation the president of the company cited three accident settlements involving a total expense of \$22,563.95, which alone diminished the profit sharing check by \$30.76. This official concluded that "general coöperation has been lacking," and stated that a plan had been adopted for giving special recognition to the faithful employees, "both by marking them for preference and increasing their share in the profits."

There are about 800 employees, and under this new marking system the distribution in January, 1916, to full year men having no demerits was \$23.17. The total distribution was in excess of \$15,000. The company reports in February, 1916, that: "The plan has worked satisfactorily, both to the men and to the company."

(Since this analysis was prepared the plan has been abandoned as the result of a strike occurring on the lines of this company early in March, 1916. In the settlement of the strike the employees have secured a reduction in working hours, increases in wages, a provision for arbitration of grievances and certain other concessions. During the strike the company posted a notice to the effect that all men who remained at their posts would receive on April 5 a cash bonus of \$25. "as a preliminary payment from the 1916 profit-sharing fund". In consequence of the new concessions, however, the company has discontinued all benefit, relief and profit-sharing features.)

#### WAYNE CUT GLASS COMPANY.

TOWANDA, PA. 1914.

The directors voted to set aside a certain percentage of the net earnings for distribution among employees who had worked faithfully for the company at least one year. Soon after the passage of this resolution there was a material change in business conditions, which the company ascribes to tariff legislation, and instead of a surplus to distribute the year's operations showed a deficit. The management states that the workingmen were not willing to take this fact into consideration and share the losses by accepting a reduction in wages, and that all consideration of profit sharing has therefore been abandoned for the present. When conditions permit, the company expects to take it up again.

#### WILLIAMS BROTHERS COMPANY.

LUMBER DEALERS AND MANUFACTURERS OF LAST BLOCKS.  
CADILLAC, MICH. 1914-1915.

On January 1, 1914, the company inaugurated a plan under which each employee was to be paid a bonus of

3% of his wages earned through the preceding year. The plan was abandoned after one year on account of business depression.

The company states that the plan did not work out to any great advantage to the company, for the men seemed to accept it as a matter of course, and several who had been with the company from ten to twenty years left for other places, going on farms, et cetera. The company also states that it was its intention to increase the percentage each year until it equalled 6 or 8% of the net payroll.

**WRIGHT & POTTER PRINTING COMPANY.  
BOSTON, MASS.**

In a letter of March 27, 1916, the president states: An ancient attempt of this company at profit sharing was made but after its failure nothing more was done. Our company has today no interest whatever in the matter and owing to our being governed so to speak by the typographical union, we feel that any endeavor to establish a profit sharing system would be useless.

**PROPOSED PLANS.**

A number of companies have been reported recently as about to introduce profit sharing plans of which the details are not yet complete. Among these are the following:

Gurney Ball Bearing Company, Jamestown, N. Y.  
The Conn Company, Elkhart, Indiana.  
Friedman Bros., Skirt Manufacturers, New York.  
Hamilton-Beach Company, Racine, Wis.  
Wagner Pastry Company, Newark, N. J.

Certain large corporate interests have under advisement the establishment of the following stock-ownership plan prepared after a thorough study of the material on profit sharing collected by The National Civic Federation for the purposes of this report.

## Extra Wage Distribution and Investment Plan.

### STATEMENT OF MERITS

BY

WILLIAM W. TRENCH\*

#### Extra Wage Distribution

##### I. Distributions to be made at the discretion of Board of Directors from surplus profits.

- (A) To all employees except executive officers.
- (B) Distribution varying in case of each employee according to yearly wage and length of service as:
  - 1. ...% of yearly salary to those in employ of Company for one year.
  - 2. ...% being 1% higher to those in employ of Company two years.
  - 3. ...% being 2% higher to those in employ of Company three years and over.
- (C) Distribution to be announced *four months* in advance of actual payment.
- (D) Distribution to be made *in cash* but employees being given *option of investing money* with the Company.

#### Investment Plan

##### II. Employees and the Company mutually agree as follows:

- (A) Employee agrees to invest his cash distribution in the Company.
- (B) The Company agrees to pay ...% interest (should be an attractive rate) upon investment from date of announcement.

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\*Mr. Trench is a graduate of St. Lawrence University, and is connected with the executive department of a large corporation.

- (C) Employee agrees to leave investment in hands of the Company for one year.
- (D) The Company agrees to put these investments on the same plane of security as its bonds.
- (E) Employee agrees to forfeit interest on investment if he leaves employ of the company or is discharged for drunkenness or \* \* \* during the course of the year. The amount deposited by him is not to be drawn out until the end of the year.
- (F) The company agreed to permit additions by employee to his investment from monthly wages in amounts not to exceed 10% of such monthly wages and not less than one dollar a month.
- (G) Provision that employee in discretion of Special Committee at each factory be permitted to draw out investment in cases of serious illness, disability or death.
- (H) Agreement may be cancelled by either party at the end of the year or renewed for coming year.

#### REMARKS.

In connection with the provisions of the Investment plan, which are meant to be only broadly suggestive, many details will have to be carefully worked out. For example, some arrangement should possibly be made for appeal by the workmen in cases of discharge.

One of the most important elements in the success of the whole plan will lie in the statement made by the company at the time of distribution. The employees should be clearly told that this scheme has no effect upon the maintenance by the company of a market scale of wages in all departments.

MERITS OF PROPOSED EXTRA WAGE DISTRIBUTION AND INVESTMENT PLAN.

There are three general types of so-called profit-sharing plans in use, namely:

1. Those by which a *fixed percentage of the surplus profits* are distributed among the employees annually according to some mutual agreement.
2. Those by which the employer permits his employees to *subscribe to stock of the company* by means of small monthly contributions.
3. Those by which the *employer in his discretion annually awards to his employees cash or stock in the company* in addition to their wages, the amount distributed being governed by the amount of surplus profits and the general condition of business.

To these types may possibly be added the "Ford Plan," whereby a very high scale of wages is used as the method of distribution.

It will be at once observed that the purposed plan falls within the third class of plans.

Economists permit only the first class to be designated "profit-sharing." This type of plan was eliminated because of its rigidity, the necessity of having an agreement between employers and employees of the nature of a partnership, and the fact that it takes a matter from the hands of the directors which should be discretionary on their part with a view to internal and external business conditions.

In a small business where each employee could clearly see the relation of his efforts to the ultimate profits, such a plan would undoubtedly be beneficial.

The second type of plan was eliminated for the very good reason that it does not take within its scope every employee nor even a majority of the employees. This idea of stock subscription has been given a thorough trial in the United States Steel Corporation and less than one-fourth of the employees are participating in its benefits.

In an unmeasured degree, however, this plan has undoubtedly been an asset to the corporation in the increased interest and good will of those who have purchased stock.

The "Ford Plan" is founded essentially upon an extraordinary internal business condition and on its face shows its impracticability of application. It is also bad economics from the point of view of the business community.

The special distribution plan as proposed is advisable for the following reasons:

1. It is a recognition by the company of the important part the employees have played in the attainment of the company's industrial position—a recognition of the essential justice underlying the profit-sharing idea.

2. It is without rigidity and places the matter where it should be placed in the sound discretion of the directors.

3. The plan takes in every employee of the company.

4. It recognizes the value to the company of continuity of service and tends to encourage such continuity. It is the almost universal report of employers using such systems that its workmen remain for longer periods of employment.

5. The provision for payment four months after announcement of distribution in part forestalls a criticism of such plans that the workmen plan expenses and even go in debt in expectation of receiving the annual distribution. Under this scheme an employee would hardly run up such expenses until the announcement was made.

6. The inclusion of the investment plan enables the company to obtain in a large measure the advantages accruing from the stock subscription plans and at the same time encourages the spirit of thrift among its employees.

7. This arrangement for a secured investment eliminates the criticism that employees become imbued with desire for speculation and further that the savings of the employee are jeopardized by investment in stocks having a fluctuating value.

## OPINIONS OF AMERICAN EMPLOYERS.

In a few of the cases examined the employers are very enthusiastic over the success of their profit sharing ventures. The approval of a considerable number is indicated by the retention of their plans from year to year.

The following are some of the favorable comments of the employers in their own words:

1. Promotes more continuous service.
2. Nine per cent reduction in the cost of production.
3. Secures more regular attendance.
4. Builds up confidence.
5. Eliminates the rolling stones and encourages home building.
6. Successful—never had a strike.
7. Enables company to keep employees during the rush season.
8. Creates a better spirit among the workmen.
9. Expenses kept down—salesmen work harder.
10. Tends to promote efficiency and stimulate endeavor.
11. Promotes regularity of employment.
12. Increases effectiveness and profits of the business.
13. Noticeable increase in interest and loyalty on the part of those retaining their stock.
14. Produces greater spirit of co-operation between employer and employee.
15. Great benefit in securing the co-operation of those in responsible positions.

The objections to the profit sharing plans as stated by the employers may be summarized as:

1. Failure of employees to grasp the significance of the profit sharing.
2. Dissatisfaction on the part of the employees when the profits are small.
3. Employees count on bonus payments and make use of them in advance.
4. Preference on the part of employees to have their wages increased instead of receiving a bonus.
5. The sale of stock to outsiders in those cases where the stock is distributed.
6. That employees learn to count upon such distributions and their living expenses increase beyond their wage scale.

#### VIEWS OF GEORGE W. PERKINS.

Perhaps no man in this country interested in the labor question from the employer's point of view has given the subject more careful study or practically demonstrated a greater desire to arrive at an equitable solution of the problem than George W. Perkins. Whether or not his ideas are susceptible of general application, the arguments advanced by him in support of the principle of profit sharing may be considered as of great value on that side of the question.

His views were very fully presented in an address delivered by him before the National Retail Dry Goods Association in February, 1914. Expressing the belief that he differs radically, with reference to its application and results, from many others, he said in part:

I do not look upon profit-sharing as a philanthropy, form of benevolence, on a par with gifts at Christmas or bonuses at the end of the year. No self respecting workingman wants something for nothing and no broad minded employer can afford such an arrangement.

The kind of profit sharing which is genuine promotes thorough, efficient co-operation between employer and employee, the same as that practiced between partners in business.

Close observation, coupled with considerable experience, has convinced me that practically all of the many failures of profit-sharing plans, both in this country and in Europe, have occurred because at bottom the plans were not honestly devised nor equitably worked out. In nine cases out of ten, at some point in the practical application of plans that have met with failure, the fact has developed that they were not mutually beneficial; they either did not enhance the efficiency of the men in such a way as to satisfy the employer or else they did not distribute profits in such a way as to benefit and satisfy the employees. No partnership where profits are shared by two or a half-dozen partners could last any length of time unless mutually beneficial, and therefore no larger partnership where profits are shared can ever be expected to last unless mutually beneficial. No man or firm or corporation that is thinking of adopting profit sharing need give a second thought to it with any hope of success, unless prepared to approach it in this spirit and deal with the subject in an absolutely honest, open and broad-minded manner.

The relation between employer and employee has changed with the centuries. Originally it was owner and slave; then it was master and man; now it is employer and employee—each stage of development bringing the employer and employee into closer co-operation, minimizing the importance of the employer and enhancing the importance of the employee. What has caused this? In my judgment the cause is directly traceable to the vast and broad educational forces that have been at work in the world.

The man who was not educated nor trained to think independently struck because he wanted \$2 a day if he was only getting \$1.75; and for quite a period of time labor differences were settled on this basis. But it is my deliberate judgment that we are rapidly passing out of that period and into the period where our laboring people are already so well-

educated and so able to think independently that, in many cases, they are no longer simply striking for a definite increase in wages, but are striking for what they regard as a fairer proportion of the profits of the business in which they are employed. If I am right about this, then we are rapidly crossing the line from the period where labor disputes could be settled by a mere increase in wage and are entering the period where profit sharing in some form must be practiced. Therefore, the question is how can it be practiced, and practiced effectively?

A good many years of actual experience have caused me to become very optimistic regarding profit-sharing plans worked out along the following lines: Every business has a certain amount of fixed charges. Assuming, of course, that it is honestly and fairly capitalized, it must earn those charges before any profits can be divided among partners or stockholders. Wages and salaries are paid to employees in exchange for service that is supposed to earn at least the fixed charges of the business. I believe that this should be taken as the basis of profit sharing. Almost every business can well afford to lay down the principle that wages and salaries are paid to earn fixed charges, and if anything is earned above fixed charges a certain percentage of such surplus earnings or profits should be allotted to the employees of the organization, as nearly as possible in proportion to the value of their respective efforts in bringing about the greater success. I feel strongly that when such an allotment is made it should not be paid out in cash to the employees, but should, in some way, be retained in the business for a certain period of time, for the account of each individual.

Under such an arrangement each employee becomes, as nearly as possible, a working partner in the concern; for if the concern is a partnership with, say, four or five members, the partners themselves draw out during each year what, in a way, might be called salaries, viz., approximately the amount of money necessary to meet their general living expenses, leaving their surplus profits in the business—perhaps every few years withdrawing certain sums of money to invest in other enterprises.

Any partnership or profit-sharing plan that divided up profits and withdrew them in cash at the end of every year could not last very long.

Almost all profit-sharing plans have divided profits with employees on a cash basis and turned the money over to the employees every so often, usually once a year. The result has been that if a man earning \$1,000 a year as a salary received \$200 at the end of the year from a profit-sharing plan, he promptly lifted his living expenses from a \$1,000 basis to a \$1,200 basis, and began to look upon his income as a \$1,200 rather than a \$1,000 income; and the extra \$200 meant nothing to him so far as increasing his activity or heightening his intellectual efforts in the business was concerned. Then if a period came along when business was dull or poor and he did not get the extra \$200 he would find fault with the owners of the business and would become grouchy and inclined to lose interest in his work.

If he was thrifty and did not use the \$200 of profit for his living expenses, but saved it, then he would probably invest it in a suburban lot or some stock that was recommended to him or in something that he knew little or nothing about. Presently his investment would begin to go wrong and he would begin to worry about it, and part of the time for which he was receiving pay to devote to the business in which he was engaged would be expended in worrying about his investment in the business in which he was not engaged; whereas if invested in the business in which he was engaged his anxiety might be worth while—might be of some practical benefit not only to himself but his co-workers. In short, under this sort of profit-sharing plan, where the profits are paid out in cash, very little real substantial benefit is accomplished except such as may have come to the man who spent his money in his home and thus provided somewhat better living conditions. There is, therefore, a weak link somewhere in such a program, and the weak link is that profit sharing cannot be substantially successful, either for employer or employee, unless coupled with profit saving.

Looking at it from the viewpoint of capital, the object to be accomplished through the adoption of

profit sharing is higher efficiency from employees. Looking at it from the standpoint of the employee, the object to be accomplished is higher and more equitable remuneration for services rendered. Therefore, any profit-sharing plan that fails to accomplish both of these results breaks down sooner or later.

In establishing this principle it is all-important that the organization, the wage and salary earners, know in advance exactly what they are expected to accomplish each year. They should be told frankly at the beginning of each year how much money it took to meet fixed charges during the preceding year, and that if they earn certain fixed amounts, on a graded scale, over and above said fixed charges, then certain percentages, on a graded scale upwards, will be allotted to them. This offers definite goals for an organization to buckle down to and work for, and it is astonishing how such an offer will heighten the *esprit de corps* of an organization, will wipe out little petty jealousies, will make a man in one department eager to pass his good ideas on to the man in the next department—all vying with one another to accomplish the one great result. Gradually as a number of men in the organization become small owners in the business, you broaden and deepen their interest in their work. They begin to think of it, speak of it, work for it, as their business, not your business or somebody else's business, and in place of "knocking" it they praise it.

Many people have said to me: "Oh, but it takes a long while for a man who is only saving \$10, \$20 or \$100 a year to acquire much of an interest in the business in which he is engaged"; but I have always found that such a criticism is made without sufficient thought on the subject, for a small interest means as much to the man having a comparatively small salary as does a large interest to the man of larger affairs or fortune.

Among the advantages of this way of profit sharing are the following:

First: It is real, it is genuine. The organization as a whole, the organization individually, has a definite goal for its year's work. It knows at the begin-

ning of a year how much money must be earned to cover fixed charges; it knows that it is being paid salaries to earn those fixed charges; it knows that it shares in all profits over and above fixed charges, and that the amount of such profits largely depends on the individual and collective effort of each man in the organization. This in itself is of great practical value to the business from a dollar and cent standpoint. There is no philanthropy about it. The men have certain definite goals to reach. If they reach them they are paid a definite percentage for doing so. It is a definite business proposition.

Second: Having reached the goals set, the money over and above the salaries they are paid—in other words, their profits—are invested in the business in which they are engaged and on which their whole time and thought and energy should at all times be centered. And what a great advantage this is to the employer, and what a spur and incentive to the employee! What a real, genuine interest it arouses in the worker for the business in which he is engaged. The whole atmosphere, the whole relationship is changed. The employer can think less about whether or not his men are "soldiering" on him, whether or not they are really giving to their work the best that is in them; and the employee can spend much less time wondering whether or not he is being properly compensated. The whole relationship is placed on a new basis, a less antagonistic basis, a very much more co-operative basis. This is a vastly different plan from the one sometimes practiced by which one set of men working in a business, viz., the capitalists and partners, leave their profits in the business, while another set of men working shoulder to shoulder with them, viz., the employees, are each year taking their profits out of the business and putting them somewhere else.

It is also vastly different from the many bonus schemes in vogue; vastly different from the arbitrary setting aside in a prosperous year of a certain lump sum of money and dividing it on a percentage basis among the employees. Under such arrangements no man who gets any of the money has any very definite idea of what he did to earn

it, where it came from or what he individually can do to help ensure the receiving of some such sum during the coming year. In fact, such bonus giving, very erroneously called profit sharing, I am convinced has done a great deal more harm than good, for in many instances it has caused employees to feel that the reason they were receiving said bonuses was because the business was earning fabulous sums of money, a tiny little bit of which was thrown to them as a sop to make them feel kindly disposed towards the owners or to ward off a demand for a general increase in wages. In short, such bonus giving simply stirs up rather than alleviates trouble.

Profit sharing on the basis I favor is sometimes objected to by men or concerns who do not wish to let even their own employees know how little or how much money they are making each year. To such men I always say—and each year I am more and more certain that I am right in saying—that they are very short-sighted if they do not make haste to change their policy. If they are not making enough money, if the business is running on a close margin each year, then by all means they should set their situation before their men, adopt such a profit-sharing plan as I have outlined, and get the genuine co-operation of every single man in lifting their profits and putting their business in a prosperous condition.

They are now paying wages and salaries, and many a night they go home wondering whether the employees are really earning their salaries. Under such a profit-sharing plan as I have outlined they have a substantial guarantee that the salaries will be earned, because in aiming to share in profits over and above fixed charges the men are all the more certain to earn at least the fixed charges; in fact such a plan goes a long way towards ensuring the earning of fixed charges. And would any proprietor or manager hesitate to pay a handsome premium each year for a blanket policy guaranteeing that every employee in the business would have the business on his mind and work as hard for its success as the manager or proprietor does?

As for the man who is making so much money that he is afraid to let even his own employees know

how much he is making, to that man I say that he is the type of man who, more than any other, is responsible for the serious differences existing between capital and labor; for with the growing intelligence of the masses, how can he expect such a condition to continue? It is unnatural in the first place, and wrong in the second place; and every year, yes, every day, makes it clearer and clearer that such conditions will no longer be tolerated and must speedily pass away.

The day of secretive methods is rapidly passing. The day of publicity is rapidly approaching.

One reason why a man who is making handsome profits does not want to publish them or let any one know about them is the fear of his competitors. Another reason is that he wants to put those large profits away for a rainy day when business may not be so good. Such a man's best protection against his competitors is an organization of the highest possible efficiency. Every day efficiency of organization becomes more and more important; indeed I believe that to-day it is more important than capital, for with efficiency a man can get capital, but capital alone does not necessarily put efficiency into a business.

I am convinced that labor is entirely willing that capital should have its fair reward and proper protection, but in this country we have had too many instances where capital has taken extortionate reward, and one of the main reasons why the serious problems confronting us to-day are so difficult of solution lies in the fact that too many men of capital are arrogant and unreasonable and are absolutely unwilling to look with sufficient care and fairness into the causes that are producing the views and opinions so largely held by our people at this time.

As for putting aside his big profits as a guarantee against the future, he had better use some of them in more deeply interesting his men in his business, doing this to such an extent that if the dark days come he will be as nearly certain as possible that they will stand by the business in a way that capital alone never can.

Profit sharing on the basis I favor is also sometimes objected to by concerns whose securities are

closely held. There are many ways to obviate this difficulty. Many concerns can increase their capital. Others that cannot, or that cannot do so for a time, can obviate the difficulty by issuing certificates of participation which will draw the same percentage of profit as the regular securities of the business. In other words, where there is genuine desire a way can always be found.

While this profit-sharing partnership can be more readily accomplished in a large business, nevertheless, if approached in the proper spirit, it can also be successfully accomplished in a small business; and if applied generally would remove to a considerable degree the dangers that are menacing modern industry, and which are largely caused by the feeling on the part of the masses that they are not getting their proper proportion of earnings through wages.

#### REMARKS OF CHARLES M. SCHWAB.

(Address before Aldine Club, New York, Feb. 16, 1916.)

He pointed out that "Brains are a bigger asset than money," and said: "I believe in profit sharing with department heads and with workmen who by their personal efforts add to the profits of an enterprise by economies or increased output. If an employee can by his own efforts add to the concern's prosperity, he should share in that prosperity."

He stated that his idea of proper management was to give the individual some important part in the industry to stimulate his interest, and that that made the manager feel that he was the prime factor in the enterprise. "If that is true of the manager and the salesman, it is equally true of the laborer," he continued. "In every establishment of mine, I carry out this principle and put aside 15% for this purpose before apportioning the profits. The success of any big undertaking or industry in the future would depend on this profit-sharing scheme he had applied," he declared. It is a cash distribution, based upon results obtained.

"It has been the gratification of my life," he added, "that I have been able to make money for young men by bringing out of them their latent possibilities," and stated further that "Paying bonuses amounting to \$5,000,000 a year is of little concern," and that one vice-president had been given \$600,000 in addition to his salary in 1915, while another assistant had received more than \$1,000,000 as his share of the profits.

Wm. F. DONOVAN.

PRESIDENT ATLAS TACK COMPANY.

FAIRHAVEN, MASS. FEB. 25, 1916.

"We have no system of profit sharing except the profit which is gained by piece workers and those to whom we give a bonus.

We do not believe in profit sharing in the sense in which it is generally understood, and our conclusion is based upon the writer's experience with a profit—or, more correctly, a gain-sharing plan in which the rank and file received a certain proportion of the gains, the heads of departments a certain portion, and the remainder was retained by the company which had the plan in force. It did not operate satisfactorily, and was abandoned for that reason, as it offered no satisfactory incentive to the rank and file.

If a plan could be devised by which an equitable distribution of a portion of our profits could be made, we would be disposed to favor it; but we believe that the profits should be shared only with those who make an exceptional effort to gain them, and where profits are distributed upon a percentage basis—that is to say, a percentage of the wages paid to the workers—it offers no incentive to the individual who, if he is intelligent, will realize that his individual effort in a large organization will not have an appreciable effect upon the general result, and he has no assurance that an equal or corresponding effort will be made by his fellows if he were inclined to make an exceptional effort himself.

Profits should not be shared unless an exceptional effort is made by the beneficiaries to earn them. Otherwise, the employer who pays the full market price for the kind of labor which he is employing has done his full duty to it. Consequently, we believe that efficiency only should be recognized, either by increased direct compensation, or by some other equally satisfactory method such as piece work, premium or bonus."

HERBERT M. LLOYD.

New York, Feb. 21, 1916.

(Name of company withheld because plan new).

The subject is a puzzling one and according to my experience employers are much more concerned than employees in the matter, and it is very difficult to see whether they get value for what they spend in that direction or not.

A manufacturing company, of which I am a director, is now trying a new line, that is, new to us and differing slightly from anything else in practice that we have seen.

It has been our custom for some years to give bonuses at New Year's to foremen and others based in a rough way on the work of their departments, and the total amount of the bonuses being a percentage of the profits of the concern. This year we have changed that, and instead of cash gave them passbooks on a "Co-operative Savings Fund." They can withdraw these deposits if they see fit, or can add to them from their own funds precisely as in a savings bank. So far there have been more new deposits than withdrawals. The company guarantees five per cent on these deposits and if it pays dividends in excess of five per cent will make the rate on the deposits equal to its dividend rate. At present this rate is seven per cent. How it will work we are much interested to know, but the hope is that each of the men will now feel a sense of ownership in the plant. This

plan may not be ideal but it seemed to us a good way of working out the cash bonus scheme which no doubt had done us no harm but as far as we could see did us no particular good. The men participating in the dividend fund amount to eight per cent of the total employees (15% of the men) and of course are the best paid and most intelligent.

(1) Our plan calls for a cash distribution with option of investment parallel to stock but not in stock, the amount in either case being based upon company's profits and record of man's work during the year. See memorandum below.

(2) Cash distribution without option was begun 1904, option in 1916.

(3) Includes heads of departments, assistants to heads, and office men.

(4) 400 employees of whom about 200 are women. 30 participants, all men.

(5) It has created some good feeling, but good effect probably small and difficult to appraise.

(6) Modified 1916 as shown below.

#### Memorandum.

For 12 years past it has been our custom to give to each foreman and to a few others in important positions New Year checks. The total distribution was a fixed percentage of the profits of the Company, while the shares were figured with reference to the amount of work and supposed efficiency of the particular department. With each check was sent a brief letter from the Treasurer explaining the method of computation but not stating what percentage of profits was distributed. The business has been a growing one, hence both the number of participants and the amounts of the individual checks have had an upward tendency.

Some years ago, in recognition of a notable service, we gave one man in addition to his annual check a certifi-

cate for a few shares of stock, and found that he attached much more importance to this than to an equivalent amount of money. This incident confirmed the idea, already entertained, that it would be helpful if we could give the men something not to be spent but to be kept. We did not wish to give them stock, because there was no open market for it, and there was some risk that we did not wish them to take, and because our shares being hundred dollar shares and most of the checks being of amounts under \$100 each, the delivery of stock would be complicated and difficult for some to understand.

Accordingly we established in January, 1916, what we call our Co-operative Savings Fund, on the following plan:

#### I.

A Bonus List is established, including all foremen who received Bonuses in 1915 and also certain office employees and others, the length and value of whose service entitle them to recognition. The executive committee will make up the list at an early date, and may add and withdraw names at any time.

All on the new list on February 1, 1916, will receive Bonuses out of the Company's profits of 1915.

#### II.

All Bonuses will hereafter be paid in Pass Book Credits, but with the right to withdraw all or any part forthwith as below provided.

#### III.

Everyone on the list and every person whom the company may admit to the fund will receive a pass-book in which his bonuses and any other moneys he may deposit with the fund, and as well all dividends on credits, will be entered.

#### IV.

All credits, whether from bonuses or other sources, may be withdrawn at any time.

## V.

The company will guarantee all pass-book credits, and also the payment thereon of an annual dividend at the highest rate paid on any class of its stock. At present it pays 7% on Preferred Stock and 6% on Common. Should dividends be suspended or reduced it will at any rate pay 5% on pass-book credits.

## VI.

The Fund will be invested in the Company's Mortgage Bonds, other First Mortgages on the Company's property, or its Preferred Stock. The earnings will be applied on the dividends and the Company will make up the difference.

## VII.

Any one ceasing to be employed by the Company ceases to be a member of the Fund and must withdraw his account unless the Company consents, as in case of disability, to continuance.

The Company reserves the right to determine the membership of the Fund, to limit the amount of deposits, and also to discontinue the plan altogether at the end of any year, in which case it shall forthwith cash all deposits.

## VIII.

The Fund shall be administered by a Committee of Five Depositors, all of whom shall be named by the Company for the first year. After the first year the Depositors shall elect Three members of the Committee and the Company shall name the remaining two.

The Committee shall audit accounts, fix rules and times for receiving deposits and paying withdrawals, select investments, and make other reasonable regulations.

This plan was put in operation by the delivery of the pass-book to each depositor by the Treasurer of the Company, with oral explanation. As a rule only one de-

positor was called to the Treasurer's office at a time. It should be added that most of the men have been for considerable periods with the Company. In explaining the plan, stress was laid on the desire of the Company that the men should have and feel an actual ownership in the concern, but without the risks of stockholding. So far as could be judged it was extremely well received. One man, for example, said the feeling of being one of the Company was worth more to him than any dividend. Two have drawn out their bonuses in cash, but this is more than offset by new deposits made.

The Company members of the Committee, being the Vice-President and the Treasurer, have qualified by becoming depositors of their own funds, but only in nominal amounts.

#### AMERICAN ELECTRIC RAILWAY ASSOCIATION.

The American Electric Railway Association's Committee on Welfare of Employees in discussing co-operation in their 1912 report said:

"Probably the most advanced step in co-operation is that of sharing profits with the employee. This puts him on a footing with the stockholders of the corporation, and has the faculty of creating in him a close personal interest in the company's prosperity. He feels that the larger the profits, the larger will be his share, and he will be most exacting for economies in operation and care of company property both on his own part and that of his fellow employees. Various forms of profit sharing have been tried or are in vogue, the earliest of which was put into effect in Denver in 1898 when the company divided with the men any excess over certain daily receipts. The next year at Columbus, Ohio, the same rate of dividend was paid upon wages as was paid upon the company's stock. Two years later at Detroit the company purchased its own stock in the open market and allowed its employees to buy it at the same figure, paying for it in instalments of \$5 a month. In 1902 in British Columbia one-third of

all surplus remaining after a 4 per cent dividend was paid to stockholders was divided among the employees. In 1909 at Spokane, Washington, stock was sold to employees on easy terms, while the company at Decatur, Indiana, had for some time hired no trainmen who would not purchase one share of stock and subscribe for five more. It was claimed that the latter practice created among employees such an interest in the company's welfare that no unavoidable accidents had occurred since its adoption, and that while some good men may have been kept out of the service, the number excluded was small and the company was kept free from the shiftless ones who were most likely to be careless."

W. D. Mahon, International President, Amalgamated Association of Street and Electric Railway Employees of America, writes:

"With regard to 'The Attitude of the American Electric Railway Association,' I note the profit-sharing propositions that are described therein. I am not familiar with the Denver or Columbus methods. I know from personal experience that the employees in Columbus are hardly making enough to keep soul and body together, and they surely are in need of some of the profits of that company. As to the statement that the Detroit company purchased its own stock in the open market and allowed its employees to buy at the same figure, paying for it in instalments of \$5 a month, I would say that that occurred some years ago, but there was nothing developed or came of it. The stock wasn't worth much, some few of the men bought a little of it, and then the proposition dropped, and no one has paid any attention to it for a number of years, and I doubt if there are ten of the employees that have purchased any of the stock. As to the British Columbia plan, it is true that in 1902 the street railways of Vancouver, Westminster and Victoria were owned and operated by the same company, and it did inaugurate profit sharing, not one-third of the surplus after the company had paid a dividend of 4 per cent but one-fourth. This was in operation for about four years, not to exceed six, and

then discontinued. It was agreed between the company and the employees that the amount going to them by this profit-sharing method was nothing but a wage, and it was dropped entirely. As to Spokane, I am not familiar with that, nor with Decatur, Indiana. Decatur is a very small place, and there couldn't be much there to share with any one. In Spokane the company had opposed the organization of their men in every shape and form, and if they would share with them a little of the liberties that are enjoyed by the other workmen of the country, and give them the right to organize and speak for themselves in wage contracts and conditions of that kind, it would, I imagine, be worth more than any profit-sharing plan that may have ever been inaugurated."

## ATTITUDE OF THE TRADE UNIONS

So far as organized labor is concerned, it is generally opposed to all profit-sharing schemes.

Theoretically, one would suppose that there could be no possible objection to the periodical cash distribution of a percentage of the profits, and yet general criticisms on the part of the employees are:

That market wages are not paid where such cash distributions are made;

That they prefer to have a fixed wage scale upon which they can count; and

That when such percentages of profits are received they are regarded as gifts, which place the workers under obligation to the employer and in a position in which they cannot ask for increases in wages or salaries to which they may be justly entitled.

In relation to stock-selling plans, some of the criticisms are:

That foremen will keep down the wages of the rank and file in order that the dividends on stock owned by the foremen may be higher;

That the aim of the company in selling stock is sometimes circumvented, as in the case of the Northern Pacific Company, which experienced disappointment because the stock was sold to the employees at a low price and when it rose the employees promptly sold it instead of remaining participators; and

That, although stock may be sold on the instalment plan, comparatively few in the rank and file can afford to take advantage of such opportunities;

Then there is the question of possible loss by a company in any given year and that employees who are owners of stock are likely to become interested in watching the market and to cultivate the gambling instinct.

#### TYPICAL COMMENTS.

**SAMUEL GOMPERS**, President, American Federation of Labor says:

"This proposition has never been seriously considered by the organizations of labor. I desire to say further that it has come under my observation that some employers who have inaugurated systems of so-called profit sharing have pared down the wages of their employees so that the combined sharing of profits and their wages did not equal the wages of employees of other companies in the same line of industry. What we are especially interested in more than profit sharing is a fair living wage, reasonable hours and fair conditions of employment."

**J. F. TOBIN**, President of the Boot and Shoe Workers' Union, states that in his opinion profit-sharing schemes are intended to wean employees away from unions so that they may not be in a position to bargain collectively for wages, hours, and other conditions for which trade unions stand.

**JOHN P. FREY**, Editor International Molders' Journal, states that his experience prompts him to say that in almost every instance profit-sharing schemes operate to pay the workers a lower wage in proportion to their output, to make trade union organization most difficult if not impossible, and to make it difficult to bring about a condition where the workers can take up the question of their terms of employment as an organized body.

**J. C. SKEMP**, Grand Secretary-Treasurer, Brotherhood of Painters, Decorators and Paperhangers of America:

"Profit sharing as practiced, at its best, is an inadequate and unsatisfactory remedy for our industrial ills. Where the experiment is made in good faith the facts that the employer reserves the right to discharge a workman at any time, that he fixes the worker's share of the profits and that the worker has no voice in the management of the business, rob the plan of any value it otherwise might have.

"The dividend to the workman is merely a gift to be made or withheld at the will or the whim of the employer—disguised charity. As usually employed it is a method for bribing the workman to remain outside of the union of his craft, to discourage demands for better wages, to stimulate output and increase profits for the employer, the workman to receive a small share of his increased earnings."

**ANDREW J. FURUSETH**, President, International Seamen's Union of America:

"Profit sharing is a truce that the employers seldom enter into except with the purpose of holding the wages down. You cannot get any arrangement with the employers unless you are strong enough to compel them to pay."

**H. B. PERHAM**, President, Order of Railroad Telegraphers:

"Wage earners are entitled to what they have earned as soon as their day's work is done and they are not entitled to any more. A cash distribution annually means that the money has been withheld from them."

**THOMAS J. DONNELLY**, Secretary-Treasurer, Ohio State Federation of Labor:

"If there is a profit to give, it should be given daily and weekly in reducing hours and increasing wages."

**H. J. CONWAY**, Secretary-Treasurer, Retail Clerks' International Protective Association, says:

"In regard to what is called today stock holding or stock ownership, from the viewpoint and experi-

ence we have had with it through our association, instead of being in favor of it, we condemn it as being non-beneficial to employees in the retail industry, in so far as the past plans at least have proven. We have found that, in the greater number of instances which came directly before us, the plan was brought into effect primarily for the purpose either of preventing or breaking strikes, should any arise in an attempt to secure a changed working condition for the betterment of the employees.

"Plausible stories are brought forth in the guise of an increased wage through the profits derived from being a stockholder but so far as we have any information, and we have given a great deal of thought to the subject matter, no profits have been received. On the contrary, those who have invested or were presumed to be given the stock payable from the profits derived from the business have never been able to realize any benefit therefrom; and those who paid part of it have great difficulty, when the occasion arises, to sever their relations with the employer or the stock concern, and to dispose of their stock, either at a profit or at the price which they had paid.

"It has also been a means to retard the advancement of employees through the securing of more profitable employment for once inveigled into it, the many bright spots in the future constantly kept before their minds create a hope that at some day results will come. They hesitate to change their positions when opportunity arises through which they could gain increased wages and possibly more congenial employment.

"As a matter of developing efficiency, there is some claim that that was the paramount cause of its institution. Nothing so far has been developed, through being a stock holder or a stock owner or a participant in gratuities through stock ownership, that has advanced efficiency one iota. We know of a number of instances in which it was brought about wholly for the purpose of preventing the making of agreements for improved working conditions, where it was used as an effective weapon to ensure retaining in their employ, if a strike were called, a sufficient number to wait upon trade.

"Instances have recently come under our observation in which an employee would be tendered a certificate of stock to the amount of \$500 without a dollar being paid on same, but a generous bank would accept the certificate and a personal note from the employee for the loan of the \$500 to pay for the stock. In one instance, the employee, on leaving, had no trouble in disposing of his stock because he simply turned it in.

"In our estimation, the only, the best and most profitable participation in the benefits of employment as employees is through the weekly or monthly wage being increased sufficiently to make it a saving wage and not something of a lure to inveigle the employees into a non-participating proposition. And so we are unutterably opposed to the stock ownership or the profit-sharing propositions as they are now being advanced in the country."

**JOHN FITZPATRICK, President, Chicago Federation of Labor:**

"For my part, I think these schemes are all totally bad and are no more nor less than a fraud, a deception and a snare. . . . The slogan of the American labor movement, 'A fair day's pay for a fair day's work,' is the manly, human, honest, fair way of meeting the question of work and wages. A fair day's pay would involve decent standards of living, a comfortable home, sufficient for proper recreation and enjoyment and the things that make this life worth living. It would mean proper safeguards to conserve the ability of the breadwinner and enable him to continue for the longest period of time to provide for and protect himself, his home and his loved ones."

**WALTER W. DRAYER, General Secretary-Treasurer, Journeymen Stone Cutters' Association:**

"A cash distribution or a bonus is usually given with the understanding that employees are not to affiliate themselves with a labor organization. Such being the case, employees must take employment at

the wages offered by the employers rather than collectively establishing a wage for their labor."

"In most cases it is a form of involuntary servitude inasmuch as such cash distribution is denied those employees who might wish to terminate their employment to better their conditions. They are denied this cash distribution if they leave their employment before a stated period."

**JAMES WILSON**, General President, Pattern Makers' League:

"These systems prevent men from organizing and thereby an employee works for less wages—all bonuses included—than he would receive if he were organized."

**C. F. QUINN**, Secretary-Treasurer, Pennsylvania State Federation of Labor:

"It is, as the children have it in their play: 'Open your mouth and shut your eyes and see what God' (the employer) 'will give you.' "

**GEORGE L. BERRY**, President, International Printing Pressmen and Assistants Union of North America:

"I would oppose any such scheme as that, even if it did not militate against the trade organization, unless the workers, through a well-established proprietary right, were placed in a position of determining the matter of procedure, policy, etc."

**JAMES P. HOLLAND**, President, New York State Federation of Labor:

"A cash distribution makes some men work hard to the detriment of other men. The bonus system makes men dissatisfied, and they are unable to air their grievances for the reason that they would lose their bonuses.

"The selling of stock to the men at a low price is the means of stopping them from organizing."

**PAUL SCHARENBERG, Secretary-Treasurer, California State Federation of Labor:**

**"I am utterly opposed to any scheme or plan of profit sharing of the variety so far proposed in this country."**

**B. A. LARGER, General Secretary, United Garment Workers of America:**

**"In most cases where the cash distribution or bonus is given, wages are low and hours long."**

**A. P. SOVEY, President, International Brotherhood of Bookbinders:**

**"You will find in most instances, where a cash distribution is made annually or where a bonus is paid weekly or monthly, that the recipients are usually paid far below their real value for services performed."**

**WILLIAM GREEN, Secretary-Treasurer, United Mine Workers of America:**

**"If the profits of a concern will permit of distribution among the men employed, instead of being distributed as profits of the concern, the money should be paid to them in wages that would be regarded as just and fair. This, in my experience in dealing with laboring men, gives more general satisfaction than any profit-sharing plan of which I have ever heard."**

**FRANK BUTTERWORTH, President, International Brick, Tile and Terra Cotta Workers' Alliance:**

**"All the cases with which I have come into actual contact were either subterfuges to secure a bigger output or were used as an instrument to stop men from organizing by substituting a fake proposition for a raise in wages, and were so hedged in with conditions that few men received any benefit at all."**

HUGH FRAYNE, General Organizer, American Federation of Labor:

"There are many schemes and methods adopted by employers, especially among the larger corporations, to prevent their employees from organizing trade unions and in order to overcome any signs of unrest among them they generally inaugurate some system of bonus paying to the workers which is nothing more than a socialized form of charity.

"Some employers adopt the plan of giving presents to their employees during the holiday season and make a great deal of capital out of same even going so far as to boast of how kind and generous they are to their employees which they want it understood they are not obliged to do, only through the goodness of their hearts, but invariably you will find that there is an underlying motive in this commercialized philanthropy and we find that those who are the most favored by the employers because of their willingness to take the initiative in all schemes for the promotion of a greater production bringing larger profits to the employers without any extra compensation to the workers, are the ones who get the most expensive presents when they are being given out.



"The selling of stock to employees is another plan used by employers chiefly for the purpose of weaning them away from any thought of becoming members of a trade union. From one to five shares of stock in the concern are usually sold to the employee at par, sometimes below that amount, and in other cases the stock is given free of charge while the rights of the employee holding this stock are never recognized in any way so far as the firm or its affairs are concerned. The worker is constantly reminded, however, that to join a union or to go on strike or in any way antagonize the company would seriously jeopardize his own interest as a stockholder of the concern."

The brotherhoods of the railway engineers, conductors, trainmen, and firemen and enginemen, not affiliated

with the American Federation of Labor, represent another large class of organized workmen.

WARREN S. STONE, Grand Chief International Brotherhood of Locomotive Engineers, says:

"I am opposed to profit sharing, of any kind, under any name. I believe in paying the worker fair wages and allowing him to look after his own interests. All forms of profit sharing, be they a cash distribution or a bonus, or the selling of stock at low rates, are subject to the same abuses.

"They have a tendency to speed up the worker, and, in addition to that, they make him resigned to work under conditions which otherwise he would not tolerate for a single day, were it not for the hope of the bonus in the near future which is always being kept before him.

*H* "The various stock subscription plans are in no sense profit sharing. A moment's examination of the subject will show that I am right. If an employee purchases stock, whatever he receives by way of dividends he receives in his capacity as stockholder and not as employee. If a dividend is declared he is entitled to it as a matter of absolute right—whether he continues as an employee or not. Now whatever he may receive by way of bonus on his stock, such as an extra five dollars per share per year provided he has been a certain number of years in the employ of the company, is paid to him because he has given the company something in addition to his labor from day to day, namely, a *continuity of service*, the value of which to the company far exceeds the bonus on the stock. Moreover, when an employee is induced to invest his savings in stock of the company for which he works, there is brought about a situation the practical result of which is an insurance against strikes. Therefore, the wage addition which the stockholding employee receives is not a share of the profits but a payment for a substantial consideration which the company receives in addition to the employee's labor.

"So much for the theory of that type of profit sharing. Now a word as to the amount of the employee's share of the so-called profits. Take the United States Steel Corporation as a fair example.

An employee earning \$900 per year subscribes for one share of Preferred Stock and pays for it in instalments running over one year. If he holds on to both his job and his stock he gets an annual bonus of five dollars a year for not exceeding five years. If that man should remain with the company for ten years, he would receive as a payment for that continuous service the sum of \$25 or approximately only one-quarter of one per cent of his wages.

"But quite apart from the fact that stock selling is not profit sharing either in principle or in practice, there is still another and fundamental objection to it—one that goes to the basis of corporate management in the country—and that is that, taken as a whole, public utility and industrial stocks are not proper investments for the savings of the ordinary employee. Furthermore, they never will be proper investments for him until he can ascertain with some degree of precision and from some authoritative source, that for every dollar of par value of stock issued, the company has back of it one dollar in cash or its equivalent in actual property. That situation will never exist under the present corporation laws of the various states under which it is possible to issue reams of so-called securities against goodwill—dubious patent rights and other considerations, the value of which is fixed by a board of dummy directors, carrying out the instructions of promoters who will in turn unload the stock on a gullible public or unsuspecting employees.

"The trouble with selling stock at low rates is that until there is some form of regulation of stock issuing, it does not mean anything. A very large percentage of the stock held today, and that in the open market, represents no real value, but is simply an added drain upon the productive efficiency of the employees and is issued wholly and solely to take up any surplus that might be left over after paying money a fair dividend on the real value of the investment. Until the stock can be guaranteed at its face value, it does not mean anything to the worker; and, again, it has a tendency to make the worker satisfied with the company or corporation and work harder than ever before, perhaps for starvation wages, in the hope that he can get his stock finally

paid for, and then, too often he learns, to his bitter disappointment, that it represents no real value after all.

"The savings of the workingman are, morally at least, the property of his wife and children; they should be invested with the same care and prudence which the law requires for the investment of the funds of widows and orphans, and any scheme which seeks to divert them into speculative channels and tie them up to a particular job is vicious in principle and cannot be too emphatically condemned.

"So far as giving the employees a compelling voice in the management of a company through their stockholding acquired under the subscription plan is concerned, the mere suggestion of such a thing is nothing more nor less than a grim joke. While it is theoretically possible for the employees to gain the stock control of a corporation, we know, as a matter of every-day observation, that such a thing is in practice utterly impossible. Even if it were possible for the employees to acquire 51 per cent of the stock of a solvent corporation, they would be unable to dislodge the management, as experience has frequently shown how easy it is for insiders to water the capital stock and issue indirectly to themselves a vast amount of additional securities, by which control is not only retained but future earnings of the corporation are capitalized."

## DIFFICULTIES OF PROFIT SHARING

### PROFIT SHARING; TRADE UNIONISM; LABOR CO-PARTNERSHIP.

J. W. SULLIVAN.\*

Profit sharing is a meaningless term. It conveys no settled signification. It refers to no fixed and definite economic principle.

As carried on, especially in America, so-called profit sharing methods have ranged from plans established by self-denying philanthropists to plans put in force by selfish men actuated solely by avarice. Hence, in general, the methods have been irreconcilable with any uniform system; they have not been reducible to a consistent classification.

The various notions which pass under the term profit sharing have been put before the public by employers; they have rarely been the results of desires expressed by employees.

The social design represented in profit sharing may be as far apart as autocracy and democracy; in practice it is generally autocracy. The employer takes upon himself certain rights, duties and responsibilities that pertained to the feudal lord.

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(\*Mr. Sullivan is a member of the International Typographical Union; general lecturer for the American Federation of Labor; has followed closely the progress of coöperation for more than thirty years; was the only delegate from America at the second International Coöperative Congress in Paris in 1896; has a large collection of reports and other works relating to coöperation, profit sharing, and co-partnership; for many years, as an exchange editor, has kept abreast of the movement through reading the coöperative periodical publications; in the course of more than five years' residence in Europe has met the leaders in the coöperative and co-partnership movements of various countries; and in America has from time to time investigated numerous attempts at coöperation.)

The motive varies. It has been simply the promotion of workshop efficiency; it has been advertising; it has been war on trade unionism; it has been good fellowship, personal and direct; it has been uplift for the working classes, impersonal and remote.

As the systems have varied in intention, so they are carried out in practice only to the point decided upon by the employer. In one case the employer pays from year to year to each of the various grades of his employees a predetermined share of the profits. In another case, the division is made among selected individuals, the amount changeable at the employer's will. Whatever the percentage, the inclusion or exclusion of variable items among the fixed charges affects the statement of profits. Difficulties in this respect are the amounts to be allotted to depreciation of plant, to the losses of unprofitable years, and to the expected regular return on the capital invested, usually a percentage much above current interest.

When the aim is merely higher efficiency, profit sharing is but a distribution of gains accomplished through a more compact and better greased mechanism. It is but a bonus, based on the sum of the wages drawn. It may be only an annual make-up of withheld wages. When the aim is not simply efficiency, the profits to be shared may possibly be a benevolent addition to wages. The test of value to the workman in either case is whether the advances equal those ordinarily obtained through trade unionism.

In America a noteworthy fact has been the large number of experiments reported as profit sharing which have passed out of existence. Many of these ventures, viewed from subsequent developments, are to be seen as sordid publicity schemes. Twenty years ago—and before that, thirty to forty years ago—profit sharing as an economic betterment was the subject of much newspaper coddling, some houses in New York with buncombe profit sharing features courting extensive Sunday magazine

fame. More than one champion in that frothy movement perished of impudent dishonesty. In some cases, it is true, the originators died, in others they ceased their connection with the concerns interested, and in others again new managers brought a reversion to the straight wages practice. Instability in the personal composition of management has militated against profit sharing taking a recognized place on a large scale as a permanent economic institution of social value.

Uncertainty is a disturbing factor in profit sharing—uncertainty as to whether there are to be profits from year to year, uncertainty as to what the profits actually may be in any one year, uncertainty on the part of the employees as to the employer revealing his true profits, uncertainty as to the settled proprietorship of the establishment. In these uncertainties, it is seen that the interests and expectations of a force of laborers are constant—the highest obtainable level in wages, hours and working conditions,—while the purposes of coming and going employers are variable, including selling out either at a sacrifice or a boom profit.

~~X~~ In this unsettled profit sharing there usually can be no definite hand-in-hand partnership of labor and capital. The two interests work strictly apart, each in its accustomed sphere. Capital sees an opportunity, undertakes an enterprise, buys site and plant, decides upon the scale of production, manages the workshops, watches the markets, pushes sales, enlarges or diminishes the works, runs the risks—in all respects making the mistakes or supplying the strokes of talent that count in management. The industrial wage-working employee, while supplying the essential factor of more or less skilled manipulation of matter resulting in concrete production, projects no effort into the field of plan, production, purchase and distribution.

A manifest weakness in profit sharing is the legitimate disinclination of employers, especially small employers, to reveal the scale of their profits, probably

to be made use of by competitors, money lenders and taxers of every description. Low profits may at times show up an employer as a blunderer; high profits may induce the advent of unwelcome rivals. A showing of scant profits may affect him detrimentally with his bankers or injure the advantageous sale of his business.

From the point of view of the wage worker, the dubious points of paternal profit sharing are numerous. Of course, if the annual dividend comes simply in the form of cash with no string to it, the windfall may be unobjectionable. The two sides are quits. But the increase in pay to the fortunate ones—fortunate in case they already enjoy prevailing wages—is generally accompanied with intensified supervision, irritating interference and a humiliating patriarchal domination. Added thereto may be a discipline extending beyond the legitimate jurisdiction of the factory and the purely commercial relations usually existing between two sides of bargain makers. The first query on behalf of the wage worker is the level of pay from which the profit sharing begins. All told, what is paid may be only a miserable substitute for standard wages. A scheme taking in only foremen and superintendents, each expected to make a record, results in sweatshop slave driving. Taking in an entire force, the purpose may be a general bribery to keep out of labor organizations. The avowed co-operation in profit sharing must be subject to proof in every case, but the straight wages system brings a sufficiently definite and satisfactory cohesion of capital and labor, with every man on each side knowing at all times just where he is. A mutual forced dependence may prove more irksome and less human than a mutual independence.

As one effect of professed profit sharing, the wage worker sees ramifications of pace making. Within the workshop the best awards go to the foreman most exacting and the workman most selfishly active. Piece work, overtime, unfair allotment of tasks here become features

of administration. Various occupations have their peculiar forms of pace making. A workman may be a pace maker as to speed and as to ingratiating subserviencies. The toadies and time-servers lead to degeneracy of manhood. Their reward is a preferment—the easy situation and the steady work. Straining for efficiency in a profit sharing establishment may become a species of pace making of the entire force, as against the organized men of a straight wages establishment. Scabbing may be practised by institutions as well as by individuals.

An unfulfilled promise of profit sharing is the benefit to employers from "loyalty." It is assumed that the steadiest and most tractable mechanics are the best paying hands. Wage workers know that in numerous cases this is not the fact. Physical endowment, nervous force, an active intelligence, mechanical aptitude, excellence in expert work, a general knowledge of the trade—these qualities frequently characterize the workman who occasionally takes time for himself or goes off to fields afar. His nature is adventurous, unrestful, explosive. He is the first to go to war or to try out schemes of his own. He is a self-speeder, a live wire in a gang, a disseminator of ideas helpful to an industry. He is the knowing commercial traveler in his occupation. On the other hand, the model "faithful old employee" not infrequently is but a plausible "old soldier." The rule of not admitting an employee to the profit sharing under several years of service is a discouragement to a considerable mass of valuable workmen. These will naturally earn their weekly pay and when inclined move on. About one-third of our manufacturing wage workers are not regular hands, a proportion established as much by the restlessness of the workers as by fluctuations in the amount of work. Profit sharing takes little account of this important third. A statistical disclosure of the number of men quitting profit sharing establishments directly after annual dividend payday would tell enlightening tales regarding contentedness, the general level of wages, and

the validity of loyalty when the wage worker has at length the withheld wages of the year in his pocket. A statistical statement of the number of strikes against profit sharing employers might reveal truths both as to wages and "loyalty."

Is the relationship between employer and employee under profit sharing so sweetly and pleasantly ethical? Of a certainty, reputed profit sharing employers have been open to the charges of pretense, hypocrisy and perversion of principle. The employer assuming to share dividends may, through the laborer's increased effort, actually advance a step in skinning; the straining and anxiety of the laborer reaching for the prize dangling before his eyes may result in a greater prize going to his employer. Plainly, a hypocritical employer, posing as a model profit sharer, may be actuated by a thinly veiled avarice.

The inside facts must necessarily be a matter of study with the employees of each profit sharing establishment. They know, when the motive of the employer is "efficiency," that time will disclose persistent greed or perhaps a strenuous effort to make a precarious or parasitical venture pay; they know, when it is anti-trade unionism, that they themselves are awaiting a possible day of reckoning; they know, when it is vanity, how heartless and ridiculous is the employer.

Trade unions, for good reasons founded on knocks, do not advocate profit sharing. They place the system under no total indiscriminate condemnation. They do know that the idea is distinct from the union principle; their criticism may be disarmed if the profits paid are through decades supplementary to unionism. A major point with unionists is that profit sharing, as developed in sporadic examples, has had no effect in the elevation of the whole mass of the wage workers. It has not been a part of the world-wide labor movement. Where practised, it has in many ways narrowed the workman's social vision. He has seen no further than his own work-

shop; he has concentrated his mind on his own immediate well-being; he has not been encouraged to attend the assemblies, to take part in the discussions, to subscribe to the literature, to imbibe the spirit of labor organizations, all of which have led to independent working-class social and economic activities. The effects of the voluntary inclusive association of all the workers of his occupation have been beyond his mental horizon.

The advances in welfare of the great body of our nation's industrial workers have come in the form of the shorter workday and the higher wage. Not until long after union achievement in this field have profit sharing employers had any noticeable part in preaching the eight-hour day, while the rates they have paid, plus the profits they have shared, have usually been surpassed by the advancing union scale. The propaganda by profit sharing employers of their principle in the various industrial nations during the last half century has not brought under its influence five per cent of the wage workers in any country; the propaganda by the trade unions of their principle has brought to them in the same period the mastery of the labor market in many industries in every country.

Trade unionism aims to claim, as a right, from the nation's annual production what it believes to be labor's share. Profit sharing sees the master giving an award to his servant. Even if it be conceded that the employer acts from the praiseworthy motive of generosity, or of fellowship, or of transforming an unjust to a just society, the case remains that of the strong condescending to aid the weak.

The union spirit appeals to the vast majority of the wage working classes for the reason that a labor organization initiates and backs up, both to employers and to society in general, proposals which embody the workers' aspirations. These contemplate economic conditions in the large, aim at the control of labor's side in the sale of labor's power and seek social benefits beyond the bounds

of any single industry. The union has an influence on general conditions, through education, agitation, legislation. It reaches out to protect the weak—the women and children—everywhere. No social reform is beyond its purview. Compared with a broad survey of the functions and purposes and achievements of trade unionism, what profit sharing has actually done shrinks to pitifully petty dimensions. Granted its every claim, it has been an inconsiderable branch of assisted thrift, usually contingent in practice on the changeable will of a mutable power.

To the sincere employer, desirous of improving the welfare of his employees, any project for profit sharing presents a difficult problem. In some exceptional establishments, such as gas works, turning out regularly a single product with a certainty of its entire sale at a fixed price, profit sharing has now passed well into a satisfactory experimental stage, but the obstacles to benefitting the employees of all grades in occupations generally are obviously so numerous as to shut out an occasional successful method, evolved in unusual circumstances, as a model for a system or as the triumph of a principle.

On the whole, the outcome in the countries of our civilization in which profit sharing has been preached for seventy years, and been the subject of an amount of favorable comment enormously disproportionate to its results, employers may be well advised before taking up with it to study in fairness the aims and efforts of trade unionism as a world-wide movement. The moral and commercial atmosphere is cleared when the employer pays prevailing wages for trade union hours, maintains good working conditions in his establishment, and recognizes that in the labor market he is inevitably on one side, that of the buyers, while the employees are just as surely on the other, that of the sellers. The correct relations of employer and employee may in these circumstances become fair play, mutual respect, recognition of

reciprocal rights and duties, the whole leavened with average honesty, good nature, and kindred sentiments of humanity. Acting with a wisdom founded on experience, the two sides thus set up what is tantamount to a practical and paying co-operation. In the standard literature relating to profit sharing in leading countries, the well defined and unmistakably just point of departure toward idealistic aims is recognized as being from conditions established by the trade union.

Labor co-partnership begins at this stage. In theory a transformation from capitalistic enterprise to the association of capital and labor in mutual effort, it usually begins in practice as an extension from genuine profit sharing, "enabling the worker to accumulate his share of profit in the capital of the business employing him, thus gaining the rights and responsibilities of a shareholder." A further step is provision "for a direct share in the management as well as in the profits." A leading British writer on labor co-partnership says that the best safeguard of wages "is the free play of trade union principles, and any firm which refuses to recognize the conditions generally observed in the trade puts itself out of court as a profit sharer." Another writes, "I am going to repudiate the idea that co-partnership is a substitute for, or in any way is antagonistic to, trade unionism." "You cannot say you have given the worker a profit unless he has first had the standard wages for his service. Co-partnership, therefore, assumes a standard wage. The standard wage again assumes organization to maintain it and to raise it. It assumes the existence of trade unions, collective bargaining, and the meeting of capital and labor upon equal terms."

In Great Britain, the labor co-partnership movement stands entirely apart from the establishments that profess only profit sharing. Its principles are promoted by an educational, advisory and propagandist organization. This body works by means of lectures, conferences, litera-

ture and correspondence. It has a monthly organ. It drafts plans to meet the special conditions of each business, gives legal advice bearing on co-partnership and cognate subjects, drafts rules to meet the special conditions of each experiment, and has representatives to explain the principles to groups of employers and employees.

Excepting thirty-six gas companies, the British Labor Co-Partnership Association is made up of businesses established (with two or three exceptions) by working men. Of these, there are one hundred and ten, with a capital of nearly ten million dollars, having an annual trade of more than twenty millions and a dividend on wages of \$150,000. In the gas works more than 22,000 employees are under agreement for profit sharing or co-partnership and the market value of their shares and deposits is \$3,350,000.

In commenting on these facts, a vice president of the association says: "I ought perhaps to emphasize the distinction between co-partnership and profit sharing. The latter is a necessary element in the former, but only one of two, the other being capital-owning. Where a capitalist pays his workers a share of the profit they help to produce, that may be an excellent thing, according to the object sought by it and the system on which it is done; but many regard facilities for capital-owning by the employee in addition to participation in profits as being essential to co-partnership."

"Owning collectively the tools they use," says a writer on co-partnership, "the workers gain the sense and dignity of possession." "Possession has a strong educative influence; it lifts and elevates the mind of the employee, gives him a new interest in life and broadens his outlook on public affairs, strengthens his grit and character, and makes him a better citizen." The same writer says that the establishment of co-partnership societies has been followed in a short time by a rise of wages in the particular trade involved, by the employees

taking prominent positions among trade unionists, and by conditions generally in the trade being improved.

Some observers have seen something of a parallel in co-partnership and syndicalism. But the movements are distinct, both in means and finalities. Co-partnership aims to absorb what share of industry it can through peaceful and legal measures—contract, compensation, step-by-step education of labor in business and co-operative methods. It but seizes legitimate opportunity to place laborers with their own capital in the position now occupied by capitalists and laborers. The mere statement of the facts in this form separates the movement from syndicalism, which forbids contracts with employers, plans to master industries through the general strike, and then establish independent communist systems within an anarchistic society.

To the query why co-partnership, with its manifest social advantages, has not already become a great worldwide movement, the answer must lie in the shortcomings of human nature as at present developed. They form an almost insuperable obstacle to all transforming social movements. Taken as a whole, the employing class is selfish; taken as a whole, the employed class is incapable—financially, technically, co-operatively.

The reader now has a sketch of the case for profit sharing and of that for co-partnership, regard for the interests of trade unionism being interwoven with each. Attempt has been made in this brief statement to outline the general movement toward voluntary participation, not only of profits but in business enterprise itself, to indicate the outcome of experiments sincere or otherwise, to tell the employer his most direct way toward making the employee really his partner, and to give the employee the information he needs in a study of a transformation of capital *vs.* labor into capital owned by labor, a change in which all his rights as man and unionist can be fully protected.

## SHOULD WAGE EARNERS INVEST IN CORPORATION STOCK?

(From an article on the Democratization of Industry).

R. M. EASLEY.

"There are too few enterprises where stock in a corporation is continually a safe investment of the savings of wage earners. How many of the million employees on the railroads, for instance, would have been safe during the last few years in putting their savings into the stock of the roads upon which they were working? We instantly think of the New York, New Haven and Hartford, the Rock Island and the 'Frisco, as conspicuous examples, but there is a long list of other railroads which have not been charged with corruption or mismanagement whose stocks nevertheless have gone down. Stock participation would not be practicable at all in the building trades, and great construction works, public and private, where hundreds of thousands of employees are engaged, because contractors do not necessarily employ the same men on two consecutive jobs. In the printing trades, how many members of the Typographical Union would feel safe in investing in the stocks of the newspapers or job printing offices where they work? On certain public utilities, what seem to be fairly successful plans have been inaugurated, but they are generally those which the Public Service Commissions have been able to regulate and hold down to legitimate financing.

"There are here and there comparatively small corporations which have been measurably successful financially for a series of years, and there are a few very large corporations like the United States Steel Corporation, the International Harvester Company, the American Sugar Refining Company, the Standard Oil Company and the American Tobacco Company, whose preferred stock has been a safe investment.

"Another very serious objection which is made to stock participation is that the men, for the first time in

their lives, begin to watch the stock market, and this is regarded by many as not a very wholesome habit. Following the stock market leads to 'taking a flyer' and that generally leads to taking a loss. A workingman whom I know put a little money which he had saved into railroad stock that is regarded as the best in this country and he has held on to it and received his dividends regularly. In keeping himself posted on stock market matters, however, the gambling spirit got hold of him and he thought he ought to do something better than get his regular six per cent dividend, so he persuaded his wife to put the six hundred dollars she had saved into another stock on margin and it was soon wiped out."

## LEGAL STATUS OF EMPLOYER AND EMPLOYEE.

FRANCIS X. BUTLER.\*

"In considering whether profit sharing is feasible or practicable, the status of the parties between whom the profits are to be shared must first be determined.

"The legal relation of employer and employee is that of master and servant. In speaking of the employee as a servant, therefore, the term is used in its legal sense only. Their status in law is well defined, and is as distinct and separate as that of debtor and creditor, landlord and tenant, vendor and vendee, bailor and bailee, common carrier and passenger or corporation and stock holder.

"The special laws affecting workingmen, protecting wage claims, regulating hours of labor, defining employers' liability, and establishing workmen's compensation —all emphasize in their very essence the distinction between the wage earners and the profit sharers in industry.

### The Relative Rights of Each.

"The employee tenders his services and performs his

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\*Mr. Butler has devoted much special study to the subject of profit sharing and his views were reached partly as the result of his consideration of many of the plans described in this report.

labor, for which he is entitled to receive a just wage agreed upon in advance. To this much he is entitled whether the work in which he is engaged is a profitable or a losing venture for his employer. If there is a loss the employee is not obliged to bear any portion of it. The hazard of loss or gain is solely that of the employer and if there is a profit it is the reward of the employer for his industry and venture.

#### Wages Protected By Law.

“So zealously has the law guarded the wages of the employee that in cases of insolvency wage claims are granted a preference over those of ordinary creditors.

#### The Employee Under the Common Law.

“But in another respect the law has been correspondingly severe in its treatment of the employee so far as the right of the servant was concerned to compensation for injuries received in the scope of his employment. This severity was exemplified in the harsh rules of the common law, the effect of which was to grant complete immunity to the employer from any liability for injuries sustained by the employee unless due solely to the negligence of the employer. Losses arising from injuries due to the inevitable hazard of the industry were borne by the servant and those dependent upon him. Even in such cases as that, the line of demarcation between the status of employer and the status of employee was clearly defined, and the law permitted no encroachment on the profits of the employer. In other words, there was no division of losses, which is the corollary of division of profits.

#### The Employee Under the Statutes.

“With the lapse of time and through the continued and concerted efforts of labor, and, generally speaking, against the concerted efforts of the employer, came the various employers' liability acts.

"While the result of the acts was to benefit the employee, they necessarily placed corresponding burdens on the employer, and in so doing they emphasized more clearly the distinction between the master who is entitled to the profits of his venture and the employee who is entitled to wages for his labor.

"And later came the various workmen's compensation acts, which in effect place upon industry, ahead of any profits, a fixed charge by way of contribution to a fund to compensate the wage earner for losses sustained through injuries notwithstanding the fact that they may be due solely to the hazard of the industry or the negligence of a fellow workman.

#### Profit Sharing—a Right or a Favor?

"When we consider the legal relation of employer and employee; that the status of each is separate and distinct, with correlative rights and obligations; that among these rights is that of the employee to a fixed wage, and that of the employer to the profits of the industry; that in the event of loss the employer alone must bear it and that he cannot look to the employee for any contribution thereto—it is pertinent to ask the advocate of profit sharing whether the employee is to share in the profits as a matter of right or as a matter of favor.

"One of the greatest advocates of profit sharing says, 'There should be no philanthropy about this great question. It is purely a business question. . . . No American, worthy of being called a man, wants something for nothing.'

"It is obvious that if profit sharing is based on favor, the so-called divisions of profits are nothing more nor less than Christmas presents or other periodical gifts, and therefore cannot be considered as a serious economic factor.

"If profit sharing is predicated upon the mutual rights and obligations arising out of the relation of employer and employee, or if it is based upon some *equita-*

*ble* right or obligation flowing out of that relation, it is then pertinent to ask at what point in that relation, or under what circumstances, does the right to demand an increased wage cease and the right (which labor itself does not claim) to demand a share of the profits begin?

"Unless there is some method of general application by which that point may be established, it comes down to this, that the employer—and he alone—can say when, to what extent and under what circumstances the employee shall be permitted to exercise his supposed right—an arrangement which not only makes the employer the umpire but permits him to change the rules in the middle of the game.

"As a matter of abstract justice, if the employee receives a *just* wage, he receives all that he is entitled to in the way of compensation. If he gets less than a just wage, sharing the profits with him may tend to diminish the financial loss he sustains by reason of his receiving less than a just wage, but it does not cure the evil—it merely emphasizes its existence.

#### Bondholders and Profits.

"The relative positions of bondholders and stockholders of a corporation are analogous to those of employer and employee, so far as the payment of expenses and distribution of earnings is concerned.

"Bond and stockholders both invest capital in the enterprise. The bondholder is entitled to four, five or six per cent, as the case may be, before the stockholder is entitled to receive anything. The bondholder has certainty of income and security of principal. With this preference his rights end. He is not entitled to participate in any profits—they belong to the stockholders. For a greater risk they are compensated by the chance or prospect of a greater return.

"There are no profits for the stockholders until the bondholders are paid and there are no profits for the employer until the employees are paid.

"What security holder or economist ever had the temerity to suggest that after a particularly prosperous year the stockholders should indulge in profit sharing with the first mortgage bondholders? And yet there would be just as much reason for such a suggestion as there is in the contention that the employer should share his profits with the employee after the latter has been paid a *just wage*.

"What constitutes a *just wage* is a problem for settlement between employer and employee, which profit sharing in no way helps to solve, since the net result to the worker is the same whether his earnings reach him under the name of part wages and part profits or as all wages.

"Modern industry has passed the point where the laborer individually can deal effectively with the employer of labor, and secure for himself that *just wage* and the proper surroundings to which he is entitled. Generally speaking, this can be secured only through the instrumentality of organized labor. In view of the careful study which labor leaders have given to the various forms of profit sharing which have been put in operation in this country, the attitude of the labor organizations on this subject is entitled to serious consideration. It will be seen from their views hereinbefore expressed, that the trade unions are unanimous in the opinions that profit sharing is not only detrimental to the best interests of organized labor, but that if generally adopted would threaten the very existence of the unions themselves. And if this is to be the final result the question arises, is profit sharing worth the price? This question is not prompted by a consideration of the unions as organizations, but by a consideration of what the future holds in store for labor as a class if the union's power for good is to be abolished. With the collective bargaining power of the labor union ended, will the present rate of wages be maintained; or, will the eight hour day give way to the nine and ten hour day, and will the condition of the workman gradually return to that which existed before

trade unionism brought about shorter hours, higher wages and better living conditions?

"While it is undoubtedly true that in some instances profit sharing has proven beneficial to employer and employee alike, a close study of all the important experiments shows that it does not reach or beneficially affect the rank and file of labor. All things considered, I am led to the conclusion that if generally applied the gain, if any, would be more than offset by the loss resulting from the consequent disintegration of the labor unions."







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